PLANNING RECREATIONAL COMMUNITIES TO SERVE METROPOLITAN AREAS

A THESIS

Presented to

The Faculty of the Division of Graduate

Studies and Research

By

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In Partial Fulfillment

of the Requirements for the Degree

Master of City Planning

Georgia Institute of Technology

October, 1973

PLANNING RECREATIONAL COMMUNITIES TO SERVE METROPOLITAN AREAS

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ACKNOWLEDGMENTS

The author wishes to express his appreciation to Professor Malcolm G. Little, Jr. and Dr. Clifford Bragdon of the Graduate City Planning Program of the Georgia Institute of Technology for their guidance in the preparation of this thesis. Appreciation is also expressed to Mr. Dean Spratlin and Mr. Gary Rott for their valuable assistance.

This thesis is dedicated to the author's parents, Mr. and Mrs. Charles Stephen Stine. Their patience, understanding, and encouragement have made the completion of this thesis possible.

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SUMMARY

Significant increases in leisure time, improved road networks, and rising real income contribute to the increase in the construction of recreational communities. In some cases, the developers of recreational communities do not plan properly before actual construction. In addition, public officials and planners are not aware of some of the impacts of recreational communities on public services. Consequently, improper land-uses occur and local governments are burdened with additional public service requirements.

The use of proper site development techniques can assist the developer in construction of a recreational community. In most cases, site development consists of three steps: (1) site selection, (2) site acquisition, and (3) land-use plan.

Developments must be in compliance with federal and state legal requirements. Federal regulations require developments to register with the Office of Interstate Land Sales. In addition, most states require registration under laws regulating the sale of subdivided lands within the state or located in another state.

Financing for a recreational community must be sufficient to enable construction of capital improvements during periods of negative cash flow. High bank interest rates have forced developers to look for other methods of financing. Some additional methods include: mergers and acquisitions, joint ventures, and institutional investors.

A management team must be organized to direct the daily operations of the development. Management can be broken into five sections: (1) administration, (2) public relations and advertising, (3) sales and marketing, (4) finance, and (5) production.

Public officials, developers, and planners must be aware of the impact of recreational communities on public services. Some of the impacts include: (1) roads, (2) water, (3) sewers, (4) health facilities, (5) police and fire protection, (6) schools, and (7) solid waste. Appropriate state, regional, or local governmental laws can require project review before development approval. Consequently, public service impacts can be pinpointed before problems occur.

Recreational communities are a proper land use, if the necessary planning for the development is completed prior to construction. Some of the advantages of recreational communities include: (1) they provide recreational facilities for residents of metropolitan areas, (2) they provide a proper land-use alternative for agricultural or non-agricultural rural land, and (3) they can increase, through the use of proper public regulations, the tax base of rural governments without creating additional pressure on existing community services.

CHAPTER I

INTRODUCTION

For the purposes of this thesis a recreational community is defined as residences other than primary households which are temporarily occupied by owners or renters and sold under a common promotional plan. The community is usually located within two hours driving time or four hours flying time from one or several metropolitan areas. These communities provide single or varied recreational facilities such as golf courses, ski slopes, boating, tennis, and horseback riding.

Increased leisure time and rising real income have contributed to the rapid growth of recreational communities serving metropolitan areas. The interstate highway system has accelerated this growth by providing convenient access from most metropolitan centers. Consequently, recreational community development has gained a significant segment of the leisure time market.

In order to use land properly and gain maximum profits, developers of recreational communities should consider the site development process. The process should include planning for site selection, site acquisition, and land use. Location, acreage, topography, and soils are all part of site selection. Site acquisition should consider the land cost per acre, possible speculation costs, property options, and carrying charges. Land-use plans should provide for traffic circulation, community facilities and services, and recreational amenities.

Developments must be in conformance with federal and state legal controls, including the payment of fees and the filing of registration forms for certification. Developers should either retain or hire full time legal counsel to assist in the interpretation of federal and state requirements (i.e., Interstate Land Sales Full Disclosure Act of 1968).

Financing a recreational community requires a strong commitment from the project's backers. They must be willing to experience negative cash flows for sometimes as long as four to five years. Many recreational communities fail because the developer lacks reserve financing. Often the cost of capital improvements cannot be financed through lot sales alone. Sales may be slower than anticipated. In addition, unexpected development costs can quickly reduce cash reserves.

In most cases, the management organization of a recreational community consists of the following: (1) administration, (2) public relations and advertising, (3) sales and marketing, (4) finance, and (5) production. A general manager is usually appointed the overall director of the development. To a certain extent, the number of personnel required for each section varies as the development progresses. Among the types of personnel needed are: financial analysts, engineers, marketing specialists, and public relations employees.

Developers and public officials should be familiar with the impact of recreational communities on public services. Some of the impacts include: (1) roads, (2) water and sewers, (3) health facilities, (4) police and fire protection, (5) schools, and (6) solid waste. Often local governments cannot meet the service demands of recreational communities. Consequently, each development should be carefully reviewed before local

government approval.

Purpose

The purpose of this thesis is to make developers aware of the successful recreational communities. In addition, both local government officials and planners should be aware of the impact of recreational developments upon community services and facilities. Although not all phases of recreational community planning are examined, site development, legal controls, financing, management, and public service impact are included. Consideration of the planning information in this thesis can assist in the development of a successful recreational community.

Approach

This study was accomplished by: (1) surveying recreational property owners presently residing in metropolitan areas, (2) investigating on-site locations and designs, (3) reviewing the legal requirements of federal and state governments, (4) interviewing planners and local government officials, and (5) determining methods for financing and managing projects. Information for this study was obtained from a review of pertinent literature, federal and state laws, and on-site investigations of recreational communities. In addition, personal conversations and correspondence were conducted with developers involved in constructing recreational communities serving metropolitan areas.

Thesis Organization

A detailed discussion of recreational communities is contained in the following chapters. Chapter II discusses techniques of site selection,

overall site characteristics, and the design of the land-use plan. Techniques of design include only general land-use concepts and not technical discussions of land planning. The examination of the legal requirements of federal and state governments is discussed in Chapter III. In Chapter IV methods of financing are described along with the type of organization needed to direct the development of a recreational community. The impact of recreational communities on local governmental services and facilities is the subject of Chapter V. Results of interviews with selected recreational property owners are summarized in Appendix A. The survey examined both selected characteristics of recreational property owners and their motivations for purchase. Appendices B and C contain a listing of state legal requirements. Some of the state requirements listed include: (1) minimum number of lots affected, (2) registration fee, and (3) registering department. Several other categories are also included.

CHAPTER II

SITE DEVELOPMENT

The site development process is crucial to the success of a proposed recreational community. The process must encompass the areas of site selection, site acquisition, and a land use plan.

Site Selection

Physical characteristics are important in selecting a site. Careful consideration of physical characteristics will decrease development costs and improve property sales.

Physical Characteristics

Physical characteristics of potential sites include: (1) location, (2) acreage, (3) topography, and (4) soils. Analysis of these characteristics should be completed before purchasing a development site.

Location. Many developers feel site location within two hours driving time of a large urban population is the most important physical characteristic in the success or failure of their community. Mr. David Feinman, developer of a recreational community serving the Houston Metropolitan area says, "Two hours of driving time over good access roads from a major metropolitan area is still one of the primary criteria for the location of a leisure home community."[1] John Larsen, Vice-President of Locust Lake Village, Pocono Lake, Pennsylvania, stated, "Given the population of the New York, New Jersey, and Philadelphia metropolitan areas, we are located within two hours driving time of one-quarter of the na-

tion's population."[2] In the last seven years Locust Lake has sold 1,445 out of 1,555 available lots.

However, recreational communities can be located in more remote areas. Developers of recreational communities serving the Spokane, Washington, area found that even with 40 lakes within a 35 mile radius of the city, many families chose to purchase recreational property located three to four hours driving time away from the metropolitan area. These families considered the additional distance desirable because it gave them a feeling of "getting away from it all."[3]

Property owners in the West and Southwestern states are more willing to drive longer distances to recreational communities in remote areas. A study of a substantial number of property owners in Western states indicated driving times of from six to eight hours were not uncommon.[4] Recreational developers in the Lake Tahoe area found many owners willing to drive the five to six hour trip from the San Francisco metropolitan area.[5]

Less expensive developments appealing to families with moderate incomes generally locate near metropolitan areas. A developer of a recreational community advertising one-half acre lots with unfinished housing shells priced at $3,000 to $4,500 found that all his buyers had primary residences within a 50-mile radius.[6]

Higher income groups often purchase recreational property located farther away from the metropolitan area. For example, recreational property selling for $15,000 attracted buyers from 300 miles away.

Many new parkways and interstates have shortened the driving times to recreational communities. This allows developments to be located

further away from metropolitan areas. For example, Interstate 91, which parallels the Connecticut River through Connecticut, Massachusetts, and Vermont, has shortened the driving time from metropolitan areas to recreational communities in the region.[7] Interstate 93 has also decreased driving time in the same area. It runs north from Boston to New Hampshire and into the White Mountains.[8] The completion of Interstate 70 in Colorado opened up previously remote areas of recreational property. I-70 crosses the Continental Divide of the Colorado Rockies and allows for easy access by property owners residing on the West Coast to recreational developments on the eastern side of the mountains.[9]

Acreage. Sufficient acreage must be purchased for the development of a recreational community. One consultant to recreational developers claims that a pre-planned community cannot be built on less than 300 acres and sometimes 400 acres is too small.[10] Mr. Don Donelson, chairman of the National Association of Homebuilders' second-home committee and developer of Hide-A-Way Hills in Ohio, states, "I'm convinced that our development with about 1,000 to 1,200 acres is about the right size."

Many of the better known recreational communities are much larger. For example, Sea Pines in Hilton Head, South Carolina, consists of 5,000 acres. Recent land acquisitions have made Beech Mountain, North Carolina, physically one of the largest recreational communities in the United States. Current land holdings total about 9,000 acres.

Large sites are desirable in order to reduce the purchase cost per acre, to obtain additional capital through the sale of excess land, and to furnish buffer zones and recreation facilities.

A real estate firm in Phoenix, Arizona, offered 10,000 acres of

prime recreational property for $460 per acre. In the horse and hunting country of North Carolina, an 850 acre tract was offered at $1,200 per acre. Although several factors account for the price difference, the primary factor was the size of the site.

Additional capital can be acquired by offering excess land as security or by selling it. Excess land is significantly more valuable in areas surrounding recreational communities. For example, Snowmass-at-Aspen acquired an adjacent 8,300 acre ranch with four miles of common boundary. Snowmass waited until the improvements on its original tract of land raised the surrounding property values. When the value reached a sufficient level, the adjoining property was sold for a substantial profit.

Excess acreage can be used for buffer zones. A permanent buffer zone of 1,600 acres was created at Sea Pines. This section of the development has protected the community from much of the strip commercial area existing just outside the Sea Pines northern boundary.

Significant amounts of land are needed for recreation facilities. For instance, an 18-hole golf course will require anywhere from 150 to 300 acres. Acreage requirements depend to a large extent on the type of terrain on which the course is constructed. Many of the larger communities have plans for more than one 18-hole course. Beech Mountain has plans for a total of four 18-hole golf courses. Construction of lakes also requires sizable acreage. Locust Lake in Pennsylvania offers five lakes ranging from six to 100 acres. Other recreational activities such as ski runs require considerable land. A minimum of 400 acres, for example, is needed for a ski resort.

Most of the acreage for a recreational community should be bought during the initial purchase. Failure to do so results in a higher cost per acre during subsequent phases of development.

Topography. Land developers considering the purchase of a potential recreational community site must make a careful examination of the topography. Often a potential site appears to contain the important factors necessary to begin construction. However, close examination of the topography may reveal that only a limited area can be developed, consequently, the project is not economically feasible.

Property under consideration for purchase as "exclusive country estates" in North Carolina was found to be unsuitable because of terrain features. Ridge lines that provided scenic views also created problems as to road location, grades, and building sites. Larger lot sizes were needed because the hillside slopes ranged between 25 and 30 percent grade. Except for about 50 acres, the site was located within a river basin. Numerous wet marsh areas created severe drainage problems. In addition, about 227 acres, or one-fourth of the proposed site, was located in the flood plain. Although the flood plain had an acceptable slope for the construction of a golf course, potential flood problems eliminated the feasibility of adjoining residential lots.

A proposed recreational community site of about 5,800 acres north of Daytona Beach, Florida, was also found to be undevelopable because of the topography. The potential residential portions of the site consisted of two terraces running along the north-south axis of the property. These terraces were separated by poorly drained stretches of land. Therefore, only about 50 percent of the 5,800 acres was suitable for residential

construction. Almost one-fifth of the land area consisted of water and marsh. The cost of making additional land usable greatly increased the cost per acre. Consequently, the site was not purchased.

The Anheuser-Busch Company is developing Kingsmill, located near Williamsburg, Virginia. Total acreage is 3,500 with land planners claiming only 1,700 as having residential development potential. The property borders on the James River. Many high bluffs along the river are rapidly eroding. Topographical studies indicate several deep ravines with slopes in some areas approaching 20 to 25 percent. Despite these topographical problems, the company feels the site can be successfully marketed.

Soils. Soil maps should be studied to determine the following information: (1) percent of slope, (2) erosion potential, (3) wetness, (4) depth to rock, (5) corrosion potential, (6) shrink-swell potential, (7) soil bearing value, (8) flooding hazard, and (9) permeability.

Information concerning soil in a particular region can be acquired from the United States Soil Conservation Service's Guide to Soil Mapping. Soils are rated according to limitations and restrictions. Five classes of ratings are used. For example, a number one rating indicates the soil has no limitations or hazards for a particular use. A number five rating indicates a very severe soil limitation. In addition, the Soil Conservation Service compares the compatibility of certain soils with non-agricultural land-uses. For example, the mapping guide indicates the soil suitability of potential residential land by matching the soil type (i.e., Lakeland fine sand) against any one of the many soil qualities and characteristics (i.e., erosion potential, soil bearing value, and flood hazard). The resulting class rating, one through five, indicates the extent

of soil restrictions (see Table 1).

In many cases soil conditions determine how the site should be developed. One land developer in Northern California effectively used a 15,000 acre site, containing marginal soils, for development. Steep and unstable hillsides on the site were subject to extreme erosion and slope failures during the heavy rain seasons (winter and spring). Annual rainfall was in excess of 50 inches. Existence of soils with a high erosion potential throughout the property made the construction of roads and utilities extremely costly. Consequently, with the exception of a 365 acre community center, the remaining 15,000 acre development was left in its natural state. The community center was located on stable soil adjacent to the state highway. Each property owner was assigned a mobile home or camper site within the community center. In addition, property owners purchased 40 acre parcels within the undeveloped portion of the site. Restrictions placed on the sale prohibit the construction of any roads, permanent buildings, or power lines. Owners may hike, camp, or horseback ride on their 40 acre tract. No motorized vehicles are allowed beyond the limits of the community center. In this way, the project was financially feasible in addition to protecting the site against the danger of extreme soil erosion and sedimentation.[11]

Site Acquisition

Purchasing a site for the development of a recreational community should be handled by an individual or group with previous land assembly experience. Purchasing large tracts of land can be costly, if not properly executed. Because of possible extensive delays, purchases of federal or

Table 1. Soil Limitations for Non-agricultural Uses*

	Lakeland fine sand 0-5% slope	Lakeland fine sand 5-8% slope	Lakeland fine sand 8-12% slope
Residential Areas			
Slope	1	1	3
Erosion Potential	1	1	2
Wetness	1	1	1
Depth to Rock	1	1	1
Corrosion Potential	1	1	1
Shrink-swell Potential	1	1	1
Soil Bearing Value	2	2	2
Flooding Hazard	1	1	1
Summary Rating	2	2	3
Septic Tank Drainage Field			
Slope	1	2	3
Wetness	1	1	1
Permeability	1	1	1
Depth to Rock	1	1	1
Flooding Hazard	1	1	2
Summary Rating	1	1	2

*Limitation Ratings: 1 = None; 2 = Slight; 3 = Moderate; 4 = Severe; 5 = Very Severe

Note: Source: "Soil Survey Interpretation for the East Central Florida Regional Planning Area," U. S. Soil Conservation Service, July, 1963

state lands should be carefully evaluated.

Cost of Land

The price a developer is willing to pay for a recreational community site is dependent on the potential market. Higher costs per acre may be justified if the development will appeal to high income households. In addition, competition for potential sites can raise prices for large tracts of land. The developer must determine if the higher per acre cost can be successfully passed on to potential owners.

Richard Robbins, a recreational consultant, cautions developers not to pay more than one-tenth of the price the land will be worth when developed. Some firms will not pay over a fixed amount per acre regardless of the development costs. For example, an executive of the Sea Pines Company claims his firm will not pay over $2,000 per acre for raw undeveloped land. However, there is considerable variation among developers as many are willing to pay more. Developers of Incline Village on Lake Tahoe, Nevada, paid $25,000,000 for 9,000 acres with the average cost per acre being approximately $2,800.

Several recreational developers have purchased land for relatively little capital outlay. One developer, John Larson of Locust Lake Village, purchased 1,150 acres of wooded, rolling terrain in the Pocono Mountains of Pennsylvania for less than $100 an acre. Another developer, Barry Waranty of Land Consultants of America, purchased 1,000 square miles of Arizona land 50 miles from the Las Vegas metropolitan area. The cost was $6,500,000 with an initial payment of $125,000 down and no interest on the balance owed.[12] McCulloch Properties, developers of Lake Havasu City, Arizona, purchased 13,000 acres of land for $954,329. Cost per acre was

about $75.

Costs of Land Acquisition

The costs of land acquisition often include: (1) speculation costs, (2) property options, and (3) carrying charges.

Speculation Costs. In order to avoid speculation costs, real estate dealings for recreational property should be conducted with minimum publicity. Proper precautions can assist the developer in reducing land speculation. For example, Connestee Falls Development Corporation in Brevard, North Carolina, acquires the most essential parcels of land first. All smaller parcels are subsequently purchased. In addition, both local realtors and lawyers are used to assemble the site. Executives of the firm felt that the use of local buyers insured a better knowledge of land values and reduced discovery of the firm's intentions. Land speculation cost for Columbia, Maryland, was reduced in a similar manner. The Rouse Company hired a Baltimore law firm to acquire the site. However, even the law firm did not know for whom it was buying the land.[13]

Another method of reducing speculation costs is the purchase of land from a real estate investment firm. Many of these firms specialize in the acquisition of large tracts of land for the purpose of offering them for sale to developers as potential recreational community sites. Since the land is already assembled, speculation costs are eliminated.

Property Options. In most cases, property options are a part of land acquisition costs. Some companies obtain a series of options before making actual purchase. For example, the initial option cost may be for the sole purpose of holding the site until a feasibility study can be completed. If the study indicates an acceptable positive cash flow,

additional options are purchased. A resource extraction option may be taken. For example, selective timber cutting can assist initial land clearing operations. In addition, if necessary, a zoning option should be purchased to insure compliance with local ordinances before closing on the site.

In some cases, property option costs are eliminated by exercising options on adjacent land. For example, the developer of Snowmass, Colorado, acquired property with four miles of common boundary through a series of options. When the land value was high enough, the adjoining property was sold. The profit almost equaled the developer's original investment in Snowmass.[14]

Carrying Charges. The costs of holding land are termed carrying charges. Land held for long periods of time requires the payment of taxes and interest with no positive cash flow. Consequently, land values must appreciate if carrying charges are to be met. As a result, real estate personnel recommend only holding land which will double its value at least every six years.[15] Typical carrying charges of 13.25 percent can be divided into the following categories and percentages: interest on investment, 7.5 percent; real estate taxes, 1.5 percent; care-taking and insurance, 0.25 percent, and inflation, 4.0 percent.[16] Charges should be compounded annually to be valid.[17] Therefore, to justify a carrying charge of 13.25 percent to a site costing $500,000, the property should be worth $566,250 after one year and $641,278 after two years. Total land value after the sixth year is about $1,054,870 (Table 2).

Table 2. Estimated Land Value of $500,000 Worth of Property After Six Years with 13.25 Percent Carrying Charges Compounded Annually

End of 1st Year -	$ 566,250
End of 2nd Year -	$ 641,278
End of 3rd Year -	$ 726,247
End of 4th Year -	$ 822,475
End of 5th Year -	$ 931,453
End of 6th Year -	$1,054,870

One recreational developer, The Del E. Webb Corporation, eliminated its carrying costs on 10,000 acres through an agreement with the owner. By giving the owner, a farmer, a substantial equity interest in the development of Sun City, Arizona, Webb was allowed to begin his development on a small portion of the land while the farming operation continued. The seller also agreed to no interest due on the land being held. Webb was also relieved of paying any real estate taxes.[18]

Land-Use Plan

The land-use plan should include: traffic facilities, community facilities, community services, recreational facilities, and residential areas.

Traffic Facilities

The movement of auto and pedestrian traffic within a recreational community should be carefully controlled. The road network should maximize security and privacy. High speed roads and inadequate pedestrian access should be avoided. In most cases, vehicular traffic should be minimized.

Vehicular Traffic. Designated thoroughfares should handle major auto circulation. These thoroughfares, designed to handle the greatest amount of traffic, should not run through residential sections. The Sea Pines Plantation contains five major thoroughfares. They serve all areas of the island while remaining outside most residential areas. They are well buffered by golf courses and natural vegetation. Major thoroughfares are well marked with graphic signs located at each intersection. Major intersections have traffic circles eliminating the need for traffic signals or four-way stop signs. However, in communities with higher densities, traffic circles may be inadequate.

Traffic congestion and hazardous driving areas discourage potential recreational property owners. Some methods of reducing congestion and hazards are: (1) construct narrow roads, (2) post low speed limits, (3) provide limited parking around community facilities, (4) use cul-de-sac street designs, and (5) design circuitous routes between residential areas and recreational facilities.

Pedestrian Traffic. Many recreational communities are designed to encourage pedestrian traffic. For example, Sun Valley's developer, Bill Janss, states, "I want everything in a core so you can walk anyplace."[19] Snowbird, a new ski complex in Alta, Utah, allows only pedestrian traffic in the village center.[20]

In some developments, pedestrian access is almost a necessity, particularly during the winter season. For example, a ski community near Aspen, Colorado, has located residential units on the side of a mountain. Consequently, these residential areas are separated from the recreational facilities located at the foot of the mountain. Auto travel, during the

winter ski season, from the residences to the ski lifts, is extremely hazardous.[21] Therefore, a well planned pedestrian walkway should be developed to alleviate the problem.

Inadequate pedestrian access can result in traffic hazards. Another recreational development near Aspen, Colorado, was designed so that all parking areas were separated from the residential units by the main thoroughfare. As a result, pedestrians must cross the main roadway to reach the residential areas.[22]

Pedestrian circulation should be designed to permit residents and their guests to walk to recreation facilities. Sea Pines Plantation provided common pedestrian pathways from residences located on cul-de-sacs to the beach area. Sunriver, Oregon, has 12 miles of pedestrian walkways. These walkways provide the shortest route between residences and recreation facilities.

However, extensive use of pedestrian walkways may not be possible in some recreational communities. For example, Beech Mountain circulation depends almost exclusively on auto travel. Terrain is so rugged that bicycle and pedestrian trails are not practical. Consequently, auto circulation must be carefully planned.

Community Facilities

Community facilities can be located in one of the following: (1) a lodge or hotel, (2) a community center, or (3) a village complex. Concentration of facilities in one area can provide: (1) places for property owners to shop, (2) a "focal point" or social center, and (3) additional capital for the developer through the lease of commercial space.

Lodges and Hotels. During the initial development of Sea Pines Plantation, the William Hilton Inn was the only "focal point." Many community facilities such as commercial shops were located there and many activities were sponsored for both property owners and guests. These activities included bingo games, stock market forums, movies, dancing, oyster roasts, and putting tournaments.

Community Center. Many developers locate varied facilities in a community center. Some centers include kitchens, dressing rooms for the pool, a meeting hall, bridge rooms, catering services, sauna, exercise room, and billiard tables.

One developer suggests guidelines to follow in constructing a community center: (1) build the center early, (2) promote it, (3) do not turn the center over to residents too soon, and (4) create separate facilities for teenagers.[23]

Sunriver, Oregon, used part of its community center to provide facilities for teenagers. Facilities included a teenage club complete with a jukebox, soda-fountain, and psychedelic-postered recreation center.[24]

Village Complex. A village complex has proved to be a successful method of concentrating the community's facilities. Beech Mountain, North Carolina, has several village complexes. One complex includes the Beech Alpen Inn along with other commercial establishments. It also contains restaurant and bar facilities plus ski, clothing, and other specialty shops. Harbour Town, located on the southern portion of Hilton Head Island, has restaurants, specialty shops, marine shops, and a bar at the top of the harbour's lighthouse.

Some recreational communities locate community facilities both inside

and outside of the development. For example, Bent Tree, Georgia, constructed a community center within the development. The center contains a pro shop, dining and cocktail area, and locker room. Also included were a teen clubhouse with food service facilities and locker rooms adjoining the swimming pool. Community facilities outside the Bent Tree development included a 54,000 square foot shopping center. A branch store of a national supermarket chain will be located in the center in addition to drug, variety, and hardware stores. Although the shopping center is not owned by the developer, it is convenient for the residents.

Community Services

Each recreational community must provide for community services in the land-use plan. Water, sewer, roads, electric, solid waste collection, police and fire protection, and medical treatment services should be included in the land-use plan.

Capital requirements for the development of services are usually substantial. A feasibility report concerning recreational property in North Carolina indicated 53 percent of the total development costs would be spent providing roads and utilities. Actual cost amounted to $977,750 out of the total estimated development cost of $1,861,750.

Water. Water service for the land developer is one of his most expensive services. For example, Dr. Richard E. Ellison of E. D'Appolonia Consulting Engineers states that the cost of a water system for a 2,000 acre recreational community will average between $1,200,000 to $2,000,000.[25]

If possible, developers of recreational communities should construct a central water system. Many states are now requiring that a central water system be provided. The system may be constructed by the developer

or be an extension of an already existing system outside the development.

Construction of a central water system for a recreational community can add considerably to development costs. Often deep wells must be drilled. Water storage tanks must be constructed along with the purchase of chlorination and pumping equipment. A feasibility study of a potential recreational community in North Carolina revealed an initial water system equipment cost of $82,500. This included the expense of a 100,000 gallon water storage tank, a chlorination/well house, and a system of wells and pumps.

Much of the cost of a central water system is incurred in the construction of a pipeline. Pipes must be laid below the frost line in seasonal climates. Construction of water lines at Beech Mountain required blasting to lay the pipes below the frost line. Pumping stations may also be required to overcome steep grades or no grades at all. Cost of pipe construction is usually calculated in linear feet. One recreational development proposed a water line of about eight miles. Project costs were estimated to be $190,000.

If deep wells are necessary, soil conditions in some areas may not permit well drilling for a central water system. For example, developers of a potential recreational community site on the coast of Florida were cautioned against drilling wells because of the proximity of the development to the ocean. Engineers reported that salt water intrusion into the fresh water supply was a real danger in the area.

An alternative to the construction of a well system is to tie into an extension of an existing water system. The city of Landrum, North Carolina, agreed to extend water service to a potential recreational community

at the developer's expense. For this development, about two miles of six inch water line was needed and the cost was estimated to be approximately $45,000.

Where recreational communities rely on individual wells, the cost of drilling is important. In order to reduce costs, soil and geological maps should be examined to determine the feasibility of such well-drilling. For example, often mountainous geological strata inhibit the feasibility of individual wells. Extensive rock formations at Beech Mountain, North Carolina, made individual wells impractical, due to excessive drilling costs.

Sewers. Sewer service for the land developer is usually the most expensive utility, according to Dr. Richard E. Ellison. The cost of a gravity flow sewage system for a 2,000 acre recreational community will average between $2,700,000 and $4,000,000.[26]

For the most part, sewage systems consist of three major types: (1) gravity, (2) vacuum, and (3) pressure. The most common form of sewage collection has been the gravity system. In most cases, this system is reliable, simple, and inexpensive. However, recreational communities are often located in areas where the gravity system is not satisfactory. In both flat and hilly terrain the gravity system will require pumping. Extreme changes in elevation and level terrain require that deep trenches be dug, increasing costs significantly. Additionally, if the area's water table is high, seepage into pipes can also be a problem.

One successful alternative to the gravity system is sewage collection through a vacuum. This system has been used in a recreational community

developed by Boise Cascade. Lake of the Woods, near Fredericksburg, Virginia, contains 4,200 lots. Although health officials approved most of the development for septic tanks, the density of the community may have created a health hazard. One official stated, "A gravity system was out of the question. We would have had to bury lines as much as 20 feet below street level because the roads are laid out to follow the topography."[27] The vacuum system overcomes the limitations of the conventional gravity system. Some of the vacuum's advantages are: (1) lines can be laid with little regard to terrain since the main requirement is that they be built below the frost line, (2) fluctuating loads, caused by intermittent use of second homes, have no effect on the system's operation, and (3) widely spaced houses can be handled efficiently from the very outset of development.[28]

Pressure pumps have also been successful in recreational communities. Golf View Estates in Clarksville, Indiana, uses a pressure system serving 116 lots. An alternative to the gravity system was necessary because of unsuitable soils for septic tanks. The topography of the site contained hilly terrain and high bedrock. Therefore, the gravity system was estimated to cost $2,300 per lot to install. Instead, the pressure system was used. Cost was $1,550 per lot. Pressure systems operate through the use of a grinder pump. Sewage from the house flows by gravity into the grinder. All objects are reduced by the grinder to less than one quarter of an inch in diameter. A displacement pump keeps a constant flow of 15 gallons per minute through the mains. Grinder pumps will push wastewater up to 3,000 feet away. Pumps are not installed until the home is completed. Only about $350 of the $1,550 installation cost per lot is for

piping.[29]

Septic tanks have been the primary sewer system in many recreational communities. However, often soils have not been analyzed to determine if septic tanks are feasible. Even if soil conditions are satisfactory for a septic system, the population density of the community may cause health hazards due to insufficient leaching fields. Septic tanks are generally reliable for the first five years. However, the failure rate (i.e., the drain field loses its percolation capability) for septic tanks between 10 and 15 years of age is over 50 percent.[30]

For individual sewage systems, composting can be used as an effective, non-polluting alternative. Unlike septic tanks which require favorable soils and lot sizes, compost containers decompose waste products independent of water and sewer networks; however, they are somewhat dependent on population density.

Roads. Road construction requires a considerable investment by the recreational land developer. Average road construction costs vary from $12 to $20 per linear foot dependent on type of materials and amount of roadbed preparation. Tentative plans for one recreational community included about nine miles of paved road with total costs estimated at $626,850. The cost per linear foot averaged about $14.

In some cases, road construction costs can be much higher for recreational property. For example, Beech Mountain was forced, because of the rugged terrain and steep grades, to construct a switchback road leading into and through the community. Extensive bedrock in the planned roadbed necessitated blasting. The resulting costs were $40 per linear foot instead of the usual $12 to $20 per linear foot.

Additional design features are needed for roads with extreme grade and located in seasonal climates. For example, a recreational ski community, Snowmass, elected to construct a straight road on a slope of 14 percent. This was done in lieu of a switchback road at seven percent grade. However, in order to allow for access during the winter season, a heated road was constructed. Heating coils within the roadbed, containing a mixture of water and glycol, will melt snow at the rate of two inches per hour. Total cost of the road was $100,000.[31]

Electrical Service. Large utility companies, local private power firms, or rural electric cooperatives can supply electric power. However, in some areas, REA's may be unprepared to serve large recreational developments. For example, Pagosa, Colorado, a 26,000 acre recreational community, experienced extensive delays in the installation of electric service to the area. The REA serving the region claimed that the necessary capital to install the improvements was not available.

Refuse Collection. Outside contractors often provide refuse service. Cost of the operation is passed on to the property owner. In order to reduce collection costs and eliminate health hazards, regulations should be adopted. They should include: (1) designate separate areas as collection points, (2) require property owners to remove refuse to collection areas, (3) require collections immediately before and after weekends or holidays, (4) require trash and garbage to be wrapped in disposable plastic liners, (5) prohibit containers in parking areas, and (6) require fences or vegetation to screen collection points.

Police and Fire Protection. In most recreational communities, 24-hour police protection should be provided. Without adequate police pro-

tection property damage and loss can be expected. County police patrolling the Lake Lanier, Georgia, area report that several organized theft rings specialize in burglarizing recreational property owner's houses.

Property damage and loss can be reduced by: (1) establishing a 24-hour security gate at the entrance to the development, (2) requiring registration of all persons entering who are not property owners, sales personnel, or construction workers, (3) employing properly trained security police with the power to arrest, and (4) coordinating the community's private security efforts with local law enforcement agencies.

Developments located in remote areas often depend upon forest service fire equipment. Therefore, communities bordered by national forests are relatively close to fire protection services. However, developers of recreational communities should provide enough available equipment to contain fires until sufficient "outside" assistance arrives.

Many communities emphasize leaving the land in its natural state. Consequently, fire insurance and classification ratings are higher. In order to protect property and reduce fire insurance rates, the following procedures should be used: (1) clear undergrowth in residential areas, (2) use trails as fire breaks, (3) make fire hydrants visible, and (4) use natural and artifically created lagoons and ponds within residential areas for fire protection.

Medical Services. Some recreational developments are located relatively close to public medical services. For example, Bent Tree is located only eight miles from a new 40-bed county hospital. The hospital provides 24-hour emergency service. Consequently, developers should attempt to use local medical facilities. However, often recreational communities

are located in rural counties in which health services are inadequate. Therefore, medical treatment should be provided by the developer. Medical services should be located in an infirmary supervised by at least a full-time registered nurse, paramedic, or paraprofessional. A physician should be available on call. Rescue units should be included. In remotely located developments, aircraft can be used for transporting emergencies to large metropolitan hospitals.

Recreational Facilities

Recreational facilities should be designed to: (1) provide an activity for every member of the family, (2) incorporate multiple uses, and (3) provide an opportunity for the developer to raise additional capital. Although numerous types of recreational facilities are provided by developers, only golf, boating, and skiing are discussed in this section.

Golf. The increasing popularity of golf almost necessitates the construction of course facilities in a recreational community. Developers must consider the advantages of constructing a golf course against using the land for other purposes. The difficult decision lies in determining how much economic advantage a course adds in contrast to the amount of capital necessary for other construction. One land developer, John McGrath, suggests four steps in analyzing the economic feasibility of constructing a golf course:

1. Analyze the golf facility as a separate business in order to determine whether by itself it would be a profitable investment.

2. If the analysis indicates a profitable investment, the only remaining question is whether or not the developer wants to devote the land to golf.

3. If the analysis indicates an unprofitable venture, the golf facility should be matched against the overall economic projections of the project. This will help to determine whether the value combination of the overall project is sufficient to justify subsidizing a golf course.

4. If the course still does not appear economically feasible, the developer must judge the intangible benefits against the cost of developing the golf facility.[32]

Initial capital outlays for a golf course are high (Table 3). Positive cash flows may not be experienced for several years. Standard cost for an 18-hole course ranges between $400,000 and $1,000,000. Cost is dependent on design, grading, and overall size. Sea Pines Plantation's first golf course was opened in 1960. Construction cost for 18 holes was $600,000, less the land. Three years later the course broke even. Gross profits for 1966 were estimated at $250,000 with a net income of $70,000 to $80,000.[33]

Operating costs for an 18-hole course differ substantially based on length of season, management, and services. A par 72, 18-hole course with minimal club facilities, including a pro shop with food and bench service, has annual operating costs of between $150,000 to $225,000.[34] Operating costs for Sea Pines' first golf course over a 10 month period totaled $137,000. This amount included $80,000 for course maintenance (including the salaries of 20 employees), $37,000 for pro-shop maintenance, and $20,000 for taxes, administration, and promotional expenses.[35]

Maintenance costs make up a substantial portion of the operating expenses of a course. For example, a survey by the National Golf Foundation showed course maintenance costs averaged $4,577 per hole. The sample

Table 3. Cost for 18-Hole, 72 Par Golf Course

Professional Services	$ 30,000 to $ 50,000
Actual Contract Construction Cost	$300,000 to $450,000
Post Construction Maintenance Cost	$ 30,000 to $ 60,000
Maintenance Equipment	$ 35,000 to $ 55,000
Maintenance Compound	$ 20,000 to $ 40,000
Miscellaneous Equipment	$ 10,000 +
Off-site Improvements	$ 35,000 to $ 55,000
Club Facility	$100,000 to $200,000
Contingency Allowance	$ 50,000 to $100,000
Carrying Charges	$ 50,000 to $100,000

Note: Source: Estimates by John McGarth, land developer and real estate consultant, 1969.

included 75 country clubs with a total of 1,611 holes of golf (see Table 4).[36]

Revenue expectations from a golf course often require three to four years to materialize. In the case of a private course, as in a recreational community, the principal source of revenue is dues.[37] However, initial membership fees as charged in many private clubs often cannot be levied in a recreational development. Membership into all recreational facilities within the community is usually included in the purchase of the lot. Therefore, development costs of the golf course should be included in the total property cost.

Cart rentals have often proved to be excellent sources of course revenues for recreational developers.[38] Cart rental fees for an 18-hole course range from $7.50 to $10.00. Annual revenues at this rate, based on 10,000 cart rentals per year, would bring in revenues of from $75,000 to $100,000.

Initially course expenses may necessitate opening facilities to the general public. Greens fees could then be assessed outside players. Fees range from $6 to $10 per round. If 5,000 rounds were played over a year period, $30,000 to $50,000 in additional revenues could be realized.

Various methods can be used to reduce golf course overhead. Methods to reduce maintenance costs include: (1) hire a qualified course manager, (2) concentrate large amounts of labor in one place (i.e., place several sand traps in one general area), (3) use at least a 9-gang hydraulic lift fairway mower, (4) keep maintenance personnel mobile (i.e., use vehicles), (5) use triplex greens mowers, and (6) install a fully automatic irrigation system.[39]

Table 4. 1969 Average Golf Course Maintenance Costs

COUNTRY CLUBS—GOLF COURSE MAINTENANCE COSTS

Average Cost Per Hole 1969	Overall Average	Geographical Divisions			
		East	South	Mid-West	Far West
Payroll	$2,824	$2,887	$2,517	$2,576	$3,348
Payroll Taxes and Employee Benefits	326	388	233	269	380
Course Supplies and Contracts	721	788	663	726	664
Repairs to Equipment, Course Bldgs., Water and Drainage Sys., etc.	464	519	444	426	457
All Other Expenses	242	228	256	232	282
Tot. Golf Course Maint.	$4,577	$4,810	$4,113	$4,229	$5,131
Add Golf Shop, Caddy & Committee Expenses	480	490	460	485	453
Tot. Golf Expenses	$5,057	$5,300	$4,573	$4,714	$5,584
Less: Income from Golf Fees, Golf Carts, Driving Range, etc.	1,547	1,628	1,218	1,310	2,042
Net Golf Expenses	$3,510	$3,672	$3,355	$3,404	$3,542
Percentage Variations— 1969 Based on 1968					
Payroll	+6.0%	+6.3%	+5.8%	+ 6.7%	+5.1%
Payroll Taxes and Employee Benefits	+9.0	+8.7	+7.4	+11.2	+9.8
Course Supplies and Contracts	+4.6	+4.0	+3.3	+ 7.4	+4.2
Repairs to Equipment, Course Bldgs., Water & Drainage Systems, etc.	+3.8	+4.2	+4.5	+ 4.7	+2.5
All Other Expenses	+5.2	+8.1	+3.2	+ 5.9	+4.1
Tot. Golf Course Maint.	+5.7%	+5.9%	+5.2%	+ 6.8%	+5.0%
Golf Shop, Caddy and Committee Expenses	+4.8	+7.7	+2.2	+ 5.2	+1.3
Tot. Golf Expenses	+5.6%	+6.1%	+4.9%	+ 6.7%	+4.7%
Income from Golf Fees, Golf Carts, Driving Range, etc.	+5.0	+6.7	+4.2	+ 5.4	+3.4
Net Golf Expenses	+5.9%	+5.9%	+5.1%	+ 7.2%	+5.5%

Note: Source: National Golf Foundation, 1969.
According to this source, in 1969 golf course maintenance costs averaged $4,577 on a per hole basis for a 75-club sampling with a total of 1,611 holes of golf.

Course design can assist in cost reduction through the following methods: (1) do not attempt to design the finest course in the world, (2) restrict the sizes of fairways, greens, and sand traps, (3) improve rapidity of play by eliminating traps, or placing them strategically, (4) keep all grades 10 percent or less to facilitate mowing, (5) keep trees grouped 12 to 15 feet apart to facilitate mowing, and (6) limit greens to 7,000 square feet to reduce maintenance personnel.[40]

Due to climate, some golf courses may be playable only six or seven months of the year. Therefore, alternate uses should be made of available facilities. For example, in recreational communities where ski facilities are available, the golf clubhouse could double as the ski lodge. The irrigation system of the golf course could be converted for artificial snow making during the winter season. The course could be used as ski slopes for beginning skiers, cross-country skiing, and snowmobiles. Water traps and small ponds could be used for ice skating, weather permitting.

Marinas. The increasing popularity of water sports has influenced many developers to construct boat marinas. Initial construction costs of a marina are high with estimates ranging from $50,000 to $500,000. The cost per slip may range from $200 to $1,200. Marinas tend to be, like golf courses, long-term profit makers. The National Association of Engine and Boat Manufacturers warns, "Marina operation does not have a historic record of success in financial circles."

Planning for the construction of a marina requires a thorough analysis of the offshore physical conditions. Some of these are: (1) wind direction, (2) waves (frequency to height), (3) currents, (4) tides, and (5) areas of shallow water.[41] Physical preparation may include dredge and fill

operations plus breakwater construction.

Cost of actual construction requires a significant amount of capital. For example, a 200 slip marina complete with lockers, offices, and food service will average about $335,000.[42] Breakdown costs are as follows: 200 slips - single tie-up and 30 feet long - $240,000; lockers and offices - $60,000; and coffee shop - $35,000. Costs may be much higher. One recreational community in California, Sunset Harbor, constructed a 185 berth marina complete with launching facilities, swimming, and picnic areas. Total cost was $2,000,000.[43]

Many different types of services can be offered at a marina facility. Some of these include: slips or berth rental, fuel, dockside utilities, food, ice and liquor, auto parking, and boat servicing. Sources of revenue in decreasing order include: berth rentals, sales of equipment and paints, repairs, and sales of fuel and lubricants. The best profit ratios can be found in rentals, repairs, sales, and fuel in that order.[44] Berth rentals can range from $5 per slip per month to over $70. Store facilities offering supplies and some restaurant services are not recommended unless $5,000 or more in revenues per month can be expected.[45] Locker services can also be offered. Storage space may rent from $5 to $15 per month. Fuel docks are often not good revenue producers. For example, the initial cost of the facility can be as high as $75,000; however, if combined with other facilities, as low as $10,000.[46] Profit from the sale of fuel is usually quite low. In most cases, only three to four cents per gallon is profit. Consequently, extremely large volumes of fuel have to be sold to realize significant profit.

Boat brokerage services have proven to be good sources of revenue for marina facilities. These services operate on a commission basis. Usually sales commissions average 10 percent on used boats and 20 percent on new boat sales. Estimates are that 90 percent of all sales concern used boats.[47] Brokerage services should maintain a multiple listing, circulated on at least a regional basis.

Skiing. Ski facilities have proved to be popular sales attractions. Usually they are excellent sources of profit for developers. In recent years with the introduction of artificial snow, ski facilities are no longer limited to recreational communities with extreme seasonal temperature changes.

The major cost of developing a ski facility is not in the actual construction of ski trails. Instead, major costs are usually incurred in the purchase and construction of supporting equipment. For example, Vail Mountain, located in Colorado, plans to spend $3,000,000 for a new high speed gondola lift, a double chairlift, upper and lower terminal buildings for the gondola, and improvements to already existing equipment.

Most ski facilities have three types of ski trails: (1) beginners, (2) intermediate, and (3) experts. Beech Mountain has constructed a 350 foot teaching slope, 12 acres of novice and practice slopes, plus a mile and one-half beginner ski trail. Intermediate skiers can use a 4,700 foot ski trail while experts can ski a 4,000 foot run extending the length of the fall line.[48]

Many skiers judge a ski facility by the capacity of its lifts. Waiting in long lift lines will not attract skiers. Therefore, an adequate

lift system is a necessity. Beech Mountain, North Carolina, runs an enclosed cabin-type lift which carries two skiers per car. Capacity is about 1,000 skiers per hour. Two double-chair lifts are also used. These are capable of transporting 1,500 skiers per hour. Beech Mountain's total ski lift capacity is close to 9,000 skiers per hour.[49]

In certain sections of the country snow making equipment will have to be purchased. Carolina-Caribbean, developers of Beech Mountain, has installed over 40,000 lineal feet of equipment. The total package consists of 62 snow guns, a snow cannon, and a 1,500 horsepower air compressor. The equipment is capable of producing snow at temperatures of less than 28 degrees Fahrenheit. Producers of the equipment claim the use of artificial snow improves skiing. The finer crystals of artificial snow do not disintegrate as rapidly as natural snow.[50]

Sources of revenue for ski facilities usually include: (1) ski lift, (2) ski school, (3) rentals, (4) restaurant, and (5) ski shop. A survey of 34 ski areas in the Western States was conducted by the Federal Reserve Bank of Kansas City. Profit margins were determined for various ski services. Areas were classified in vertical transport feet per hour (Table 5).

Sale of ski lift tickets in Vail, Colorado, has helped to produce substantial revenue. In 1962, when the resort first opened, receipts from lift ticket sales amounted to $280,000. By 1969, receipts from lift tickets produced $2,100,000 in revenues.[51] Lift revenue reported from 34 ski areas showed that this income source contributes substantially to ski resort profits (Table 6).

Table 5. Selected Gross Margins for the Average Reporting Ski Area, by Account and Lift Capacity Class, 1970-71 Season

Accounts	Lift Capacity in Vertical Transport Feet Per Hour*		
	Under 1 Million VTF	1 to 3 Million VTF	Over 3 Million VTF
Ski School	$2,083 (5)	$12,740 (10)	$32,300 (10)
Rentals	1,975 (7)	22,684 (6)	19,000 (7)
Restaurant	2,774 (6)	6,364 (9)	23,536 (11)
Ski Shop	2,470 (6)	12,744 (7)	17,400 (5)

*Vertical Transport Feet Per Hour = The total of each lift's hourly capacity multiplied by its vertical ascent. For example, an area with a vertical drop of 500 feet and two (2) lifts rated at 900 to 1,200 skiers per hour, respectively, would offer 1,050,000 VTF per hour (American Land, Vol. 1, No. 2, Spring 1972, p. 12)

Note: Source: Monthly Review, Federal Reserve Bank of Kansas City, March, 1972.

Table 6. Lift Revenue and Direct Lift Expenses for the Average Ski Area, by Lift Capacity Class, 1970-71 Season

	Lift Capacity in Vertical Feet Per Hour		
	Under 1 Million	1 to 3 Million	Over 3 Million
No. of Ski Areas Reporting	10	11	13
Lift Revenue	$35,847	$188,190	$972,353
Direct Lift Expense	22,328	81,538	388,284
Salaries & Wages	14,127	56,780	246,484
Other Direct	8,201	24,758	141,800
Gross Margin on Lifts	13,519	106,652	584,069
Gross Margin/Lift Revenue	.38	.57	.60

Note: Source: Monthly Review, Federal Reserve Bank of Kansas City, March, 1972

Beech Mountain achieves additional revenue by maintaining a ski instruction staff. Instruction is available at the price of $10 per hour. Often discount rates are given during the week days.

Ski rentals have proved to be good sources of ski revenues. For example, the ski rental shop at Beech Mountain carries 1,400 sets of skis. In 1969 the entire inventory was rented out on seven different occasions.[52]

Operating expenses for ski facilities can be broken into two sections. One area is direct expenses. This expense usually makes up 66 percent of total costs, labor, and replacement of equipment. The second area concerns the cost of indirect expenses. This group includes: general and administrative costs, advertising, insurance, forest service fees, private land rental, property taxes, interest, depreciation, and miscellaneous expenses.

A recent ski area study by the Federal Reserve Bank of Kansas City indicates labor expenses to be the major cost of the facility (Table 7). Consultants to the ski industry stress the need for close control of operations. Critical to reducing expenses is the ratio of labor expense to the total gross revenue.[53]

For the most part, surveyed ski areas reported that depreciation costs were highest under indirect expenses. General and administrative costs also ranked high.

Indirect costs can also be substantial in other areas. For example, insurance underwriters are threatening to raise Beech Mountain's ski insurance. Underwriters claim the main lift cable needs replacing. If the cable is not replaced, insurance costs will rise to $80,000 per year.

Because ski facilities can only be used during certain times of the year, alternate uses should be found for the off-season. Beech Mountain has used the main ski lift during the summer months to bring visitors to a children's park at the top of the mountain. The park contains a re-enactment of the children's story "Wizard of Oz." In the first two years of operation, "Land of Oz" drew over 300,000 visitors. The park is open daily from June through Labor Day and on weekends from Labor Day through October. Admission charge is $4 for adults and $2.50 for children. Cars are parked in the same area used for skiers' automobiles during the winter season.

Residential Areas

Residential areas have been designed by: (1) placing residential lots as close to recreation facilities as possible, (2) orienting residential villages to specific recreational facilities, and (3) locating lots in relation to different natural features of the development.

The Sea Pines Plantation design located residential lots as close to recreational facilities as possible. For example, Sea Pines contains over four miles of ocean front. In order to create maximum property values, a cluster scheme was used for waterfront lots. Up to six rows of lots were placed on the ocean side of the road. These lots were connected to the beach area by a pedestrian walkway. Consequently, most lots can be sold as oceanview property.

In some developments residential areas were located around particular recreation activities. For instance, New Seabury Waquoit, located near Cape Cod, Massachusetts, has 14 separate villages with different

Table 7. Average Reported Expenses, by Type and Ski Area Lift Capacity Class, 1970-71 Season

	Lift Capacity in Vertical Transport Feet Per Hour		
	Under 1 Million	1 to 3 Million	Over 3 Million
Total Expenses	$48,427 (10)	$322,419 (11)	$1,214,709 (13)
Direct Expenses	$27,511 (10)	$133,810 (11)	$ 632,812 (13)
Labor	17,995 (10)	78,550 (11)	359,937 (13)
Other Direct	9,516 (10)	60,787 (10)	272,875 (13)
Indirect Expenses	$20,916 (10)	$188,609 (11)	$ 581,897 (13)
General and Administrative	2,732 (10)	53,697 (10)	133,987 (13)
Advertising	959 (10)	12,741 (11)	70,776 (13)
Insurance	2,641 (10)	15,820 (11)	30,908 (12)
Forest Service Fees	977 (8)	4,727 (10)	14,333 (12)
Private Land Rental	*	0	26,580 (5)
Property Taxes	2,261 (6)	6,416 (10)	25,667 (12)
Interest	3,686 (9)	29,357 (10)	97,907 (13)
Depreciation	8,929 (9)	48,916 (11)	173,083 (12)
Miscellaneous	708 (9)	35,063 (8)	51,745 (11)

*Figures not shown for fewer than five areas reporting.

Note: The numbers in parentheses indicate the number of areas reporting the particular expense.

Source: Monthly Review, Federal Reserve Bank of Kansas City, March, 1972.

recreation activities emphasized in each village. Some were oriented to swimming and boating while others were oriented to golf, hunting, fishing, and equestrian activities.[54]

The developers of Salishan Properties, Incorporated, located on the coast of Oregon, related residential areas to the natural features of the community. Potential property owners were offered six different choices of lot location: (1) lot on the beach, (2) property with view of the sea and forest, (3) lots on the golf course, (4) lots on the landward side of the mountain and shielded from the ocean winds, (5) property on spit lots adjacent to canals fed by the bay, and (6) lots overlooking the bay.[55]

Coordinated design of recreation areas and residential sections raises property values and increases sales in recreational communities. For example, the developers of Sea Pines Plantation constructed golf courses throughout residential areas instead of concentrating the course on one tract of land. This design feature increased the number of residential sites adjacent to the course. Tantallon, a recreational community in southern Maryland, sold fairway lots from 25 to 50 percent higher than off-course property.[56]

Golf fairways within residential areas should be designed to protect the property owner against stray golf shots. Some methods of protection include: (1) design wide fairways, (2) leave large groups of shrubs and trees on the sides of fairways, and (3) avoid placing residential lots on the inside of doglegs.

Safety for the property owner and higher lot values can be achieved

by: (1) using double fairways and curvilinear streets, (2) creating lakes around dogleg holes, and (3) leaving open spaces so that a golf course view is possible from residential lots located across the street.[57]

Water bodies can increase lot values in a recreational community. Even small lakes can increase property values. Lake San Marco, California, contains an 80 acre lake suitable for only the smallest boats. However, homes located on the lake sell for $8,000 more than off-lake residences.[58] Some lake lots (6,000-7,000 square feet) in the same development sell for $20,000 without homes as compared to the price of $5,000 for comparable lots offered outside the community.[59]

Developers of Lake Holiday, New Jersey, claim that a lake triples the value of residential lots within an area four times the size of the lake.[60] For example, in an 800 acre development, lots worth $2,000 an acre by themselves would increase to $6,000 in value with the addition of a 200 acre lake.

CHAPTER III

FEDERAL AND STATE LEGAL CONTROLS

Developers of recreational communities should be familiar with the legal requirements of both federal and state statutes. Federal and most state laws require the registration of developments offering specific amounts of subdivided lands for sale. Failure to complete registration requirements will result not only in the closing of the development but in the imposing of stiff fines and possible imprisonment.

Some of the provisions of the Interstate Land Sales Full Disclosure Act of 1968 are presented in this chapter. Although a survey was completed of the land development statutes of every state, in addition to the District of Columbia, only the in-state and out-of-state laws of Georgia were examined in detail. In-state laws control the sale of subdivided lands solely within the state's own boundaries. Out-of-state laws protect potential buyers of subdivided lands located in another state.

Interstate Land Sales Full Disclosure Act of 1968

Responsibility for administration and enforcement of the Interstate Land Sales Full Disclosure Act of 1968 is delegated to the Office of Interstate Land Sales Registration located within the Department of Housing and Urban Development.

The Office of Interstate Land Sales Registration is divided into

three divisions: Administration, Examination, and Administrative Proceedings. The last two divisions are of particular importance to the land developer.

The Examination Division is charged with the following responsibilities: (1) receive and examine all Statements of Record and Property Reports, (2) determine necessary corrections and additions, and (3) if necessary, recommend that a Statement of Record be declared ineffective.

The Administrative Proceedings Division has the following responsibilities: (1) receive and examine customer complaints, (2) recommend action to insure the developer's compliance, (3) conduct reviews to determine noncompliance, (4) recommend suspension on a finding of noncompliance, (5) obtain permanent or temporary injunctions and restraining orders against developers, and (6) prepare and present evidence in connection with federal hearings.

Land Registration Provisions

The Interstate Land Sales Full Disclosure Act provides that: (1) a developer cannot sell or lease land in a subdivision, using interstate commerce to market the product, without approval of an effective Statement of Record, (2) each purchaser must be furnished with a printed copy of the Property Report, and (3) the Property Report must be received by the customer prior to the sale or lease of property.

Two types of federal filings are required in the Act: (1) Statement of Record and (2) Property Report. Instructions for the completion of these requirements can be found in the Code of Federal Regulations, Volume 24, January, 1972.

Statement of Record. The Statement of Record must be completed by the developer and forwarded to the Administrator of the Office of Interstate Land Sales Registration. Statements of Record contain comprehensive information on all aspects of the proposed recreational community. For example, the developer is required to report on ownership interests in the land, legal descriptions, access, condition of the title, utilities, recreational facilities, municipal services, and financial status. The effective date of the Statement of Record is the thirtieth day after the date of filing. However, the Administrator's Office may change the effective date by suspension or by notifying the developer of an earlier effective date. An approved Statement of Record may in no way be used to serve as an endorsement of the recreational community by the Department of Housing and Urban Development. The filing fee for a Statement of Record depends upon the number of subdivided lots offered for sale but shall not exceed $1,000.

Property Report. The Property Report is in question and answer form. Developers submitting the report are required to use the verbatim questions found in the Code of Federal Regulations. Questions are to be answered directly and completely. The Property Report answers questions such as, "Is there a blanket mortgage or other lien on the subdivision or portion thereof in which the subject property is located?" Other questions concern services and utilities. For example, "Will the water supply be adequate to serve the anticipated population of the area?" and "Are all lots and common facilities legally accessible by public road or street?"

Property Reports do not require a filing fee as they are submitted

as part of the Statement of Record. Penalties for willfully filing untrue statements and reports can include fines of up to $5,000 or imprisonment of not more than five years, or both.

State Land Sales Acts

Many states now require the registration of the sale of subdivided land. A survey of fifty states plus the District of Columbia was completed to determine registration procedures and requirements of both in-state and out-of-state land sales acts (Appendices B and C). An analysis of land sales acts pinpointed some of the more important requirements. Information was obtained through personal correspondence and from the American Land Development Association. Only the in- and out-of-state registration requirements of Georgia were examined in detail.

Survey of State Land Sales Acts

Results of the survey of State Land Sales Acts reveal that the majority of states have enacted some regulations to control the sale of either in-state or out-of-state subdivisions. Only fifteen states including the District of Columbia do not have any registration covering either the in-state or out-of-state sale of land. Thirty-three states have passed laws on out-of-state regulation while only fourteen states control in-state land sales. The sale of both in-state and out-of-state developments is controlled by fourteen states.

For the most part, land sales acts are administered by the Real Estate Commissions of each state. However, in some cases, many varied types of agencies regulate and enforce state land sales laws. For example, the New Hampshire regulations are administered by the Division of

Consumer Protection. West Virginia treats the sale of out-of-state land as a security. Consequently, the West Virginia law is administered by the Commissioner of Securities. The State of Maine regulates its in-state and out-of-state laws through two different agencies. The in-state act is administered by the Department of Environmental Protection while the out-of-state act is regulated through the Department of Banks and Banking.

Georgia Legislation

Regulation of subdivided land offered for sale in Georgia is covered by the Georgia Out-of-State Land Sales Act of 1971 and the Georgia Land Sales Act of 1972.

Georgia Out-of-State Land Sales Act of 1971. Regulation of the sale in Georgia of subdivided lands located in another state is controlled under the Georgia Out-of-State Land Sales Act of 1971. Authorization to implement the law has been delegated to the Secretary of State. Out-of-state offerings of subdivided lands covered under the law include any tract of land consisting of 25 or more parcels and offered for sale under a common promotional plan. Some exemptions from the law include: (1) lot sizes five acres or more, (2) limited offerings, as determined by the Secretary of State, and (3) any subdivision registered under the Federal Interstate Land Sales Full Disclosure Act.

However, out-of-state subdivisions registered under the Federal law are only exempt from the Georgia Act provided certain additional conditions are fulfilled. For example, each developer must appoint in writing the Secretary of State and his successors in office to be his attorney in any action against the project. Written copies must be filed in the

Office of the Secretary. Additional requirements include: (1) a copy of the sales prospectus be given to each purchaser by the developer, (2) a written, signed statement indicating that the purchaser has both read the report and personally inspected the lot, and (3) any broker or salesman violating the Act will have his license revoked by the Georgia Real Estate Commission.

Violations of the Act are punishable by the payment of fines. Convicted developers can be fined not less than $1,000 and not more than $5,000.

Georgia Land Sales Act of 1972. Regulation of subdivided land offered for sale in Georgia is covered by the Land Sales Act of 1972. Parcels of subdivided land must be offered for sale as "part of a common promotional plan of advertising and sale." Legal requirements are in effect whether the offering includes contiguous lands or not. If contiguous lands are offered for sale under the same common subdivision name and under the same promotional plan of advertising, the tract must be registered.

Certain sales of land are exempt under the law. Some exemptions include: (1) if fewer than 150 separate lots are offered (federal 50), (2) cemetery lots, and (3) if land is offered in parcels of 10 or more acres.

Each offer of subdivided land requires the filing of a Registration Statement with the Secretary of State. A registration fee of $100 must accompany the filing. Some requirements are: (1) name and address of fee title owner, (2) legal description, (3) provisions for services and utilities, (4) taxes and assessments, (5) compliance with Ordinances of the appropriate Area Planning and Development Commission, (6) an affidavit

of the registrant, and (7) any exhibits required to be attached to the Registration Statement.

A public Property Report is also required under the Land Sales Act. Much of the information required for the Registration Statement is also necessary for the Property Report. The Secretary of State will accept the Property Report filed with the Office of Interstate Land Sales Registration. However, the Federal Property Report is subject to the addition of any information required under the Georgia Act. Contracts may be declared void under the Georgia law if the customer did not receive the Property Report before the sale. Consequently, the contract may be cancelled by the customer up to 48 hours after receiving the Property Report.

Developers of subdivided lands regulated by the Land Sales Act of 1972 must meet one of the following financial requirements: (1) purchase a performance bond, payable to the Secretary of State, and issued by a bonding company licensed in Georgia; (2) a guarantee from a financial institution, doing business in Georgia, to cover the cost of improvements and payable to the Secretary of State, or (3) a financial statement from the subdivider, approved by a Georgia licensed certified public accountant, disclosing a net worth equal to at least one and a half times the proposed development costs of the subdivision. Stated net worth must be maintained until after the project is completed or no longer registered.

Each subdivision, provided it qualifies, will receive a Certificate of Registration from the Secretary of State. Certificates of Registration will be required to be renewed annually on the anniversary date of the original issue.

The Secretary of State reserves the right to investigate subdivisions to determine compliance with the law. Developers are required to cover the cost of inspection trips of up to $50. Reinspection may also be accomplished; the developer is again liable to cover expenses of up to $50.

If the Secretary of State determines that violations of the Act are occurring, a ruling will be issued against the subdivider to show cause why a cease and desist order should not be entered against the project. An answer period of seven days will be granted. The developer may appeal the ruling and request a hearing.

All subdividers and their employees can be prosecuted for violation of the Act. Violations of the Act are considered to be felonies. Conviction can imprison a person for up to one year or levy a fine of $5,000 or both. Georgia law also provides for the return of all payments received from the purchaser, if the developer violates any provision of the Act. Monies returned to the purchaser must include interest at the rate of seven percent per annum.

Recommended Changes in Federal and State Controls

The increased number of recreational communities has contributed to the rise in both federal and state legislation to protect the public. However, in many cases, the result has been a collection of varied and confusing statutes. Often enforcement has been lax, particularly at the federal level. Consequently, reputable developers have been maligned, increased local services have been required, and the general public has not been sufficiently protected.

Federal Controls

The major federal control for the regulation of recreational communities is the Interstate Land Sales Full Disclosure Act of 1968. As a result of a study of the federal act, the following recommendations are offered:

1. All salesmen employed by recreational community developers who have registered developments with the OILSR should be licensed by the federal government. Licensing requirements should be set by the OILSR and should include a written examination indicating a satisfactory understanding of the Interstate Land Sales Full Disclosure Act. In addition, developers should be required to post a performance bond or escrow account to insure the installation of adequate improvements and services in the proposed development.

2. The number of investigators in the OILSR should be increased. Many complaints have been received concerning the OILSR's inability to properly investigate suspected violations. Particular attention should be given to enforcement of the federal act in those states which presently have neither in-state nor out-of-state regulations governing the sale of subdivided land.

3. Closer coordination is needed between the OILSR and the respective states. For example, registration forms should be revised to allow developers to submit one set of requirements in lieu of separate yet duplicate information for both federal and state agencies.

State Controls

Increasing numbers of states now require some type of registration for the sale of selected amounts of subdivided lands. For the most part,

the format of requirements parallels that of the federal government. However, as in many types of state legislation, the requirements from state to state vary widely. Consequently, much confusion concerning state requirements has resulted for local government officials, developers, and the general public.

Recommendations for the improvement of state acts include:

1. A national conference to provide greater uniformity in both in-state and out-of-state land sales acts. For example, as much as possible, the regulatory agency should be the same for each state (i.e., Real Estate Commission).

2. Reciprocal agreements among states concerning registration information requirements can assist in eliminating both duplication of paperwork and investigative effort.

3. Uniformity is needed in the area of land classification. In some states the sale of land constitutes the sale of a security. In other states land sales are treated as real estate transactions.

4. Stricter enforcement of state laws is needed. Many states do not have the necessary investigative staff to effectively deal with alleged violations.

5. All plats for proposed recreational community developments should be required to be reviewed by the state in the absence of appropriate local or regional review agencies or boards.

CHAPTER IV

FINANCING AND MANAGEMENT

Both adequate financing and capable management are prerequisites to developing profitable recreational communities. Careful analysis of financial needs and management organization must be completed prior to the start of construction. Often an extensive search for favorable financing is required. The management organization must be staffed with qualified, experienced personnel.

Financing the Community

Developers of recreational communities must be adequately financed before starting construction. In most cases, developers need financing for two phases of development. One is for the actual construction and the other is for the financing of all or part of the land sales.

Some developers suggest having at least $1,000,000 of "front-end" money. Others suggest, in addition to $1 million, at least $2 to $3 million in financial reserves. For example, Porter and Rounds Lumber Company in Wichita, Kansas, spent $3,000,000 in three years on a recreational community in Breckenridge, Colorado. In addition, about $1,000,000 more was needed to offset operating losses of $875,000.

Financing of the community must consider the cost of holding the land. The payment of taxes and interest begins as soon as the site is purchased. These costs are termed "carrying charges." William Finley,

Vice-President of Commercial Development for The Rouse Company states, "Carrying charges on borrowed money and taxes on the land must be paid whether or not there is cash flow from land and building leases."[61]

Often a developer attempts to finance the recreational community by himself. For example, payments from the initial sale of lots provide for the construction of other facilities. In this instance, the only real capital outlay required of the developer is the land cost. This method is adequate as long as lot sales progress steadily and rapidly. If sales lag, negative cash flows quickly result.

Purchasers' lots financed by the developer can also cause monetary problems. For example, most lots sell for a cash payment of 10 percent with the remainder of the debt financed over a 10 to 12 year period. Consequently, a $7,000 lot would only provide the developer with $700 cash. The remainder of the debt has yet to be liquidated.

Many states require financial evidence of the developer's ability to complete the recreational community. Performance bonds are often required before registration of the subdivision is accepted. In addition, financial statements are required. Failure to post bond or to show a solid financial statement are grounds to reject registration. Therefore, many developers are forced to look for new methods of financing.

Methods of Financing

For the most part, five methods of financing a recreational community are available to the land developer: (1) banks and savings and loan companies, (2) offerings of public stock, (3) mergers and acquisitions, (4) joint ventures and partnerships, and (5) institutional investors. In addition, complex combinations of these financing methods are

used.

Banks and Savings and Loan Companies. For many years banks and savings and loan firms have been standard sources of financing for recreational developers. However, these financial institutions are limited by federal law as to the number of allowable outstanding loans. Federal law requires that a specific amount of cash be kept on hand. Also, bank interest rates tend to fluctuate according to the discount rate charged by the Federal Reserve institutions.

Many banks and savings and loan companies are willing to finance recreational communities if the developer will agree to such requirements as repurchase and cash reserve clauses. Repurchase agreement refers to the developer's obligation to repurchase any lot loan that is in default for 60 to 90 days. Usually 10 percent of the developer's total loan is set aside as a cash reserve for this purpose. For example, a developer borrowing $100,000 to finance his community would only be allowed to use $90,000 of the loan.

Banks and savings and loan companies alone may not be able to meet the estimated financial needs of the developer. However, groups of banking and loan institutions can fulfill the requirement. For example, developers of Holiday Lake, New Jersey, required a loan of $25 million. No one savings and loan company could by law provide the funds. Consequently, the Central Corporation of Savings and Loan Associations of Newark, New Jersey, provided the loan. The final arrangement covers land, building, and individual mortgages for the developer.[62]

Public Stock. Offerings of public stock for recreational development companies can be used as a method of acquiring necessary capital.

Sea Pines Company of Augusta, Georgia, recently filed a registration statement with the Securities and Exchange Commission to offer the sale of 400,000 shares of common stock. The stock was expected to be offered initially for $22 per share. Proceeds from the sale were to be used to pay off bank debts and provide working capital. Some advantages of this method include: (1) nationwide access to capital, (2) rising stock prices will appreciate the value of the company, and (3) the company will continue to have access to equity financing. Disadvantages include: (1) company needs specialized personnel resulting in higher management costs, (2) initial stock offering cost may range from about $80,000 to $100,000, and (3) additional recurring costs such as annual audits.[63]

Mergers and Acquisitions. If large companies acquire or merge with recreational firms, additional capital is often available. Other advantages are: (1) financially protected from the ups and downs of the market, (2) developer can invest in negotiable securities, (3) developer can remove cash from his operation.[64] However, the disadvantages include: (1) competition for capital with other sections within the parent company, (2) top management attempts to run the development, and (3) increased pressure for recreational profits, particularly if annual stock dividends decline.

Joint Ventures. Increasing interest rates have forced developers and financial institutions into joint ventures. Joint ventures allow the developer to receive 100 percent financing in return for part of his equity or profit. At the same time the developer retains control over his business. The relationship is established on a project by project basis. Therefore, if either party is dissatisfied, the partnership may

be dropped at the completion of development. The Evans & Mitchell Industries of Atlanta, Georgia, and CSRA Capital Corporation of Augusta, Georgia, announced a joint venture for a recreational community in the Great Smoky Mountains near Waynesville, North Carolina. Total combined development funds equaled $8,000,000. Unicity, Incorporated and DeFoors Properties, Incorporated entered into a joint venture to develop a 1,000 acre planned recreational community on Lake Lanier, Georgia. The total loan was $3,000,000. As part of the loan package, DeFoors Properties purchased an option to buy 50 percent of the development; however, Unicity will direct the daily operations of the project.[65]

Some financial institutions are not receptive to joint ventures. Many want more control over the developer. Because net profits are important in joint ventures, some financial institutions want control over the indirect operating expenses.

Institutional Investors. Sources of financing can increasingly be found in institutional investors. For example, Prudential Insurance Company has increased funding for real estate development. Although the firm is only permitted by state law to have eight percent of its total assets in real estate, this amount is calculated as eight percent of $25 billion. Consequently, a sizeable amount of funds is available for real estate development.

Other institutions have also indicated interest in financing real estate development. The California State Teachers Retirement System is presently investing $15,000,000 in building development. Officials indicate an eventual fund of $50,000,000 for development financing. Another California group is also making development funds available. The Northern

California Carpenters Union has placed over $100 million in a corporate group trust in order to finance real estate development.

Combined Methods. The entrance of large corporations into real estate development has produced some creative methods of financing. For example, often "equity kickers" or "sweeteners" are utilized. This enables the lender to receive an increase beyond a fixed interest rate return. Financing of this type usually fits into the following areas: (1) lender may participate in the income of the developer's project, (2) lender may receive some of the profits, (3) lender may share in the equity ownership, and (4) lender may charge non-refundable fees and discounts.[66] However, lender participation in the profits of the development may also decrease the project's resale value. Prospective purchasers of recreational developments are usually interested in: (1) receiving future increases in lot values, (2) benefiting from refinancing, and (3) owning the development with a fee simple title. Consequently, in order to sell the project, the developer may be forced to accept below market value.[67]

One recreational community developer, American Realty, has combined two methods of financing. Each investor in a recreational project is required to purchase debentures. Investors can keep the debenture or exercise the option of converting one-eighth of the bond into stock. Investors often receive 20 to 30 percent profit on gross sales before taxes. At no time does American Realty own the project. Instead, the firm receives a commission of 10 percent of gross sales for managerial services.[68]

Another firm, the Macco Corporation, specializing in many different types of real estate development including recreational communities, averaged collective financing requirements of about $250 million a year. In

order to collect the financial assistance necessary to begin construction, the corporation created its own mortgage investment company. In this way about $100 million of the $250 million needed per year is obtained.[69]

Financial Models

The use of financial models by the recreational community developer can assist in determining the relationships of: (1) down payment percentage, (2) interest rate, (3) advertising budget, (4) cost of the land, (5) timing of facilities, (6) general and administrative costs, (7) property tax data, and (8) effect of additional financing.

Financial models allow the developer to quickly and accurately assess changes in different areas of the project. For example, developers can determine the cash flow over several years. By changing the interest rate charged for development financing, an assessment of net profits can be calculated quickly. Computerized financial models do not offer a magic formula for the project's success. However, they do allow the developer to measure the effects of financial changes in development plans without excessive delays.

Management Organization

Each recreational community developer must plan for the daily operation of his project. Developers with existing staffs can integrate the necessary operations into already established departments. Other developers may be required to increase the number of personnel and create new sections (Figure 1).

Recruitment of management personnel should be initiated in advance of construction. Enough time should be alloted to allow new management

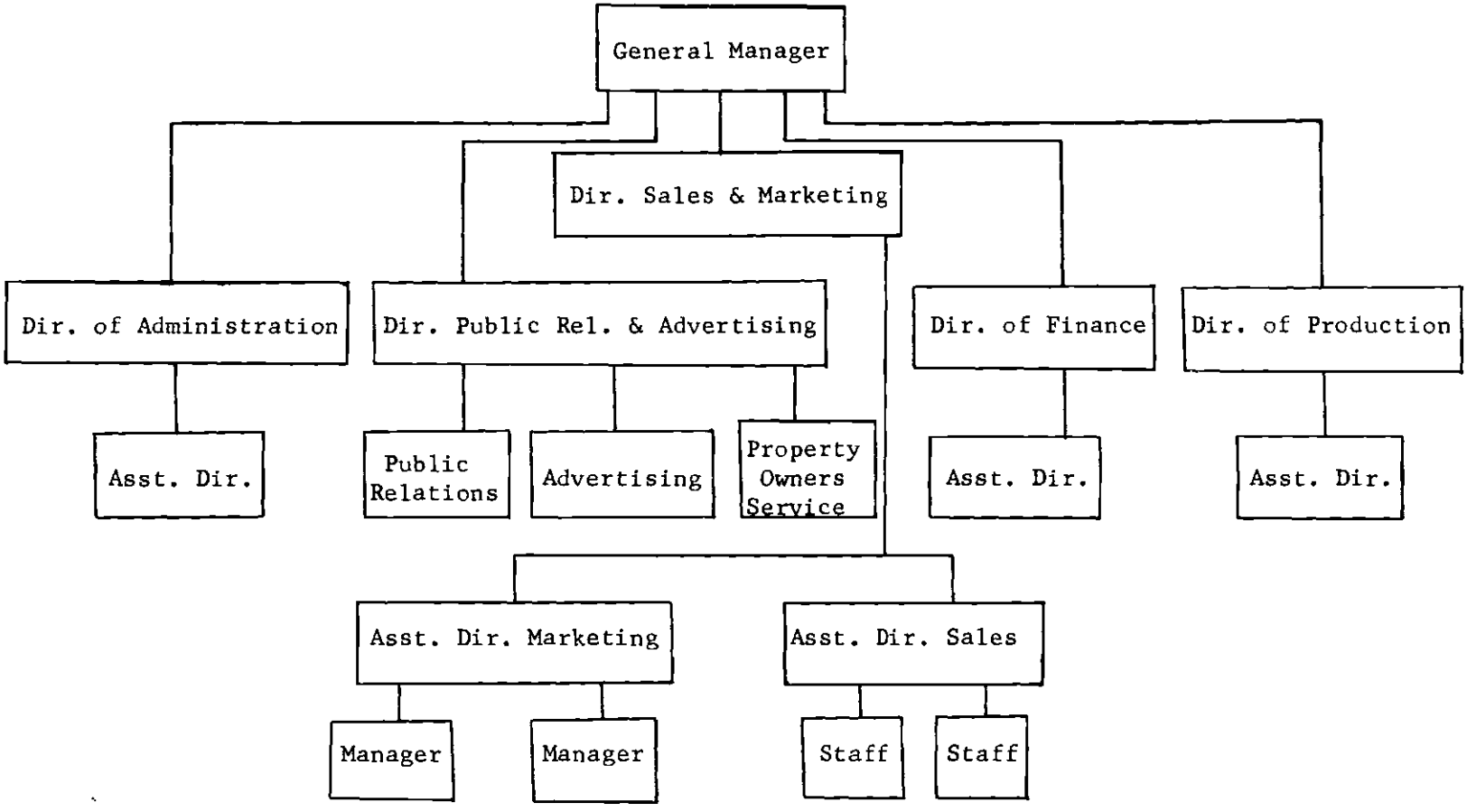

Figure 1. Management Organization of a Recreational Community

to become familiar with the project. As a result, greater overhead costs occur. Early organization of the management team helps to eliminate future expensive oversights.

Management Team

Most management teams of recreational developments consist of five sections under a General Manager: (1) administration, (2) public relations and advertising, (3) sales and marketing, (4) finance, and (5) production. Each section is headed by a Director.

Administration. All personnel pay records and, in some cases, sales records are processed in the Administration section. The Director of Administration must be familiar with employee records, wage laws, computer utilization, and personnel requirements.

Public Relations and Advertising. The public relations and advertising section is divided into three subsections: (1) public relations, (2) property owners' service, and (3) advertising. Public relations personnel are used to organize and promote the project in such functions as boat shows or civic parades. Advertising personnel determine methods of achieving maximum exposure of the development to the public. Property owners' service section is responsible for handling all complaints from purchasers. It responds as quickly as possible to correct oversights or misunderstandings of purchasers.

Sales and Marketing. The sales and marketing section has the largest number of permanent personnel. Consequently, overhead costs are high. The marketing section is divided into two offices. One office controls promotional projects such as dinner parties, telephone contact, and direct mail campaigns. The other office controls special marketing

projects and provides information for new types of marketing strategy.

The Sales section is also divided into two groups for better control of sales personnel. Salesmen are used for either on-site sales or home visitation programs.

Finance. The Director of Finance is responsible not only for the payroll of project personnel but also for recording the incoming cash flow from lot sales. Any financial models used in the project's development should be located in this section. Therefore, computer capability is almost a necessity. Control over project funds should be delegated, if possible, to a certified public accountant.

Production. The Production section can be broken into six different areas: (1) engineering, (2) surveying, (3) construction, (4) security, (5) maintenance, and (6) homebuilder's assistance. Not every job function of the Production section is included as a permanent part of the management team. For example, often the engineering, surveying, and construction phases of the development are completed by outside contractors.

General Manager. Responsible for the recreational community project, the General Manager should have an engineering, real estate, and financial background. Previous recreational community experience is not necessarily required. However, work experience should be in some phase of real estate development.

CHAPTER V

IMPACT OF RECREATIONAL COMMUNITIES ON PUBLIC SERVICES

Extensive development of recreational communities can have a significant impact on the public services offered by local government. The failure of some recreational developments to provide adequate private services often results in property owners petitioning local governments to provide adequate public services. Although recreational communities add to the local government's tax base, sometimes the additional revenues do not match the cost of providing public services. However, in most cases, proper governmental regulations can reduce the financial impact.

Impact on Public Services

An examination of several areas with substantial numbers of recreational communities was conducted to determine the impact on local public services. Public services most likely to be affected include: (1) roads, (2) water, (3) sewers, (4) health facilities, (5) solid waste, (6) schools, and (7) police and fire protection.

Roads

Often roads in recreational communities do not meet county and state standards. As a result, road maintenance problems occur after the development is completed. Annual association fees are often insufficient to repair inadequate street surfaces. Consequently, county officials are petitioned to accept the development's streets.

The cost of replacing and repairing roads can be high for local government. For example, in Humboldt County, California, officials replaced a recreational community's roads after the streets were washed out by heavy rains. Total cost to the county amounted to $2 million.[70]

Local governments may experience increased road maintenance costs before actual occupancy of the recreational community. For example, auto traffic increases on county and state roads providing access to the development as potential purchasers make trips to inspect the property. In some cases, road widening may be necessary.

Water

An increased demand for public water services may follow the development of recreational communities. Often the development's water systems are not designed to meet the community's population growth. Consequently, public service extensions are requested from local governments.

In some areas, particularly in the Western region of the United States, water supplies are limited. For example, state officials in New Mexico claim the present supply of water can only support a population of 850,000 without taking away from farming and industry.[71] However, the population has now reached one million and over one million acres have already been subdivided in remote areas of the state. In a recent action, the Albuquerque, New Mexico City Commission voted to deny extension of water lines to any subdivision outside of the city limits.[72]

Water systems for recreational communities are often underdesigned. For example, the Oak Hill Estates development, located in Hall County, Georgia, has a water system designed for 150 gallons per unit per day.

Although engineering reports recommended two wells yielding 30 gallons per minute each, two wells each producing 11 gallons per minute are used. Two pressure tanks of 525 gallons each are used for storage. Water mains vary from two inches to one inch in diameter. Property owners in the community complain about the lack of water pressure and water shortage. Many residents are forced to carry drinking water in five gallon jugs and use lake water for bathing. The present system is designed to provide water to 130 homes. However, the system is already inadequate after the construction of 30 homes. Consequently, renovation of the present system is impractical. An engineering report indicates a cost of about $50,000 to enable residents to hook into city water lines.[73]

Two recreational communities south of Kansas City--Lake Winnebago and Lake Winnebago South--also had water systems designed far below minimum standards. According to the development's Federal Registration Report, a 304,000 gallon water tank and a water purification plant would be constructed. Instead, after 400 lots were sold, property owners charged that all homes were being served through a single one-inch water line from a municipality seven miles away.[74]

Sewers

In most cases, developers rely on septic tanks and package treatment plants to provide sewer service in recreational communities. A Lehigh University survey of recreational developments in the Pocono Mountains of Pike County, Pennsylvania, indicated 89 percent of the developers installed septic tanks. Unfortunately, in Pike County, the Soil and Water Conservation Commission claims soils in the area are not suited for septic

tanks.[75] In Hall County, Georgia, the lack of public sewerage has led to an increase in the number of private "package plants." Many of these plants are in operation in recreational developments located on Lake Lanier.

To reduce the impact of poorly planned sewage systems, some local planning commissions and state agencies have established moratoriums on the construction of specific types of treatment plants. For example, the Gainesville-Hall County Georgia Planning Commission has adopted a policy of refusing to review plats involving released treated sewage from "package plants" into Lake Lanier. The moratorium will not be lifted until formal policy for the control of package systems is established.[76]

In Maryland, State Health and Natural Resource officials have blocked any construction of private, interim sewerage systems until Worcester County officials submit a time schedule for regional sewage disposal. The decision was made to prohibit about 15 recreational communities on Maryland's ocean coastline from establishing individual package treatment plants. Protection of the underground fresh water aquifers was necessary. State officials estimated the cost of a regional sewage disposal system to be about $60 million.

If massive septic tank failures occur or package plants fail to receive sufficient maintenance, property owners in recreational communities may request the county or nearest municipality to provide adequate sewer service. However, recreational communities are often located in rural areas where county or municipal systems are inadequate or nonexistent.

Sewerage facilities of several counties and municipalities, located in North Georgia, were examined to determine the possible impact of recreational communities requesting public sewer services. Only those counties making up the North Georgia Area Planning and Development Commission and having recreational communities or having the best potential for development of recreational communities were considered. Of the five counties examined in the North Georgia APDC (Cherokee, Fannin, Gilmer, Murray, and Pickens), none operated public sewage systems. In addition, most of the counties did not anticipate a system through 1990.

Some of the larger municipalities had inadequate sewerage facilities or facilities approaching capacity. For example, in Chatsworth, located in Murray County, the sewage treatment plant had a rated capacity of 750,000 gallons per day. At the time of the study, about 650,000 gallons per day were being treated.[77] Three municipalities within the study area, Blue Ridge, Ellijay, and Jasper, contained inadequate sewage systems. Blue Ridge, located in Fannin County, contained an Imhoff Tank constructed in 1941. The facility was overloaded and very ineffective.[78] Ellijay, Georgia, located in Gilmer County, had no sewage treatment facility. All sewer lines emptied untreated sewage directly into the Ellijay and Coosawattee Rivers. The discharge was estimated to be about 1,000,000 gallons per day.[79] In Jasper, located in Pickens County, two drainage areas were treated by Imhoff Tanks. Both facilities were inadequate to meet present and future needs.[80] Consequently, in most areas, in order to provide adequate public sewerage for recreational communities within the North Georgia APDC, substantial capital investments would be required by local governments.

Health Facilities

The influx of recreational communities often strains the health facilities of the nearest city or county. Seldom do health facilities in rural areas have adequate equipment or personnel to handle added population.

For instance, the Hall County Regional Hospital, located in Gainesville, Georgia, serves eight counties in the Georgia Mountains Area Planning and Development Commission jurisdiction. As a result, the added second-home population influx is critical.

Hospital officials claim the emergency room facilities receive the major impact from weekend patients. A check of emergency room records for 1972 reveals the months of June, July, August, and September as the busiest for emergency room personnel (see Table 8). These months represent the time of year when most second-home owners are using their residences. The month of July is the busiest for emergency facilities. Figures for November and December are higher than normal because of a major flu epidemic. The 3:00 - 11:00 p.m. work shift receives the majority of cases. According to emergency room personnel, many summer season cases involve cut feet, sunburn, and boating accidents.

The increasing population of counties within the Georgia Mountains APDC has required the addition of more hospital beds. Bed capacity in 1972 was 250 while in 1973 bed capacity rose to 281. About 329 beds are planned for 1975, along with the installation of new emergency room facilities. However, seasonal increases in population from Lake Lanier developments will offset some of the additional hospital capacity provided for permanent residents.

Table 8. Hall County Regional Hospital Emergency Room – 1972

Month	7 a.m. - 3 p.m.	3 p.m. - 11 p.m.	11 p.m. - 7 a.m.	Total Patients	Admitted	Patients Admitted (%)
January	609	903	328	1,840	264	14.3
February	565	935	278	1,778	267	15.0
March	621	956	306	1,883	256	13.6
April	657	1,172	297	2,126	255	12.0
May	609	1,154	349	2,112	267	12.6
June	685	1,198	367	2,250	241	10.7
July	819	1,447	462	2,728	286	10.5
August	738	1,317	417	2,472	303	12.3
September	715	1,321	442	2,478	305	12.3
October	715	1,214	379	2,308	253	10.7
November*	634	1,018	367	2,019	256	12.7
December*	755	1,118	410	2,283	255	11.2

*Higher than normal because of flu epidemic.

Note: Source: Hall County Regional Hospital Records 1972.

Police and Fire Protection

The construction of recreational communities places added service requirements on many already understaffed city and county police and fire departments. Many departments are understaffed and underequipped. In many cases, projections for capital equipment needs ignore seasonal increases in population.

Police. Interviews with Hall County, Georgia, officials indicated that, although some recreational communities have their own security forces, there is little or no coordination with the Hall County Sheriff's Department. According to Sheriff's Department personnel, most of the private security forces are inadequately equipped and trained. In addition, the county itself is understaffed.

Recent department figures indicate 29 patrolmen, 5 detectives, 5 jailers, and 3 civil deputies comprise the total personnel of the Hall County force. Although the population in Hall County doubles and even triples on a summer weekend, there are no plans to add personnel for seasonal increases.

The present county population, excluding the City of Gainesville, is about 54,000. Minimum national standards require 1.4 police officers per 1,000 inhabitants for an area with Hall County's population. Only 34 of Hall County's 42 police officers are considered patrolmen. Consequently, the Sheriff's Department has only .63 police officers per 1,000 population. The doubling of the population over a summer weekend drops the figure to .31 police officers per 1,000 population.

Most crimes occurring in Hall County recreational communities are either burglary, arson, or vandalism. In most cases, these crimes occur

during the summer season on a week day. Successful burglaries and thefts often result in higher losses for property owners during the summer season rather than winter months. According to Sheriff's Department personnel, property owners have a tendency to leave more valuable items in their second homes throughout the summer season.

Fire. An examination of five counties (Cherokee, Fannin, Gilmer, Murray, and Pickens), located within the North Georgia APDC, was completed to determine the impact of recreational communities on fire protection for the area. Some of the counties already contained recreational communities in the beginning stages of development. Others had the potential for future recreational developments. None of the surveyed county governments provided any fire protection. However, the Forest Service does provide limited protection.

Many of the municipalities within the study area did offer some form of fire protection. However, it was doubtful adequate protection could be extended to recreational community developments without requiring purchases of additional capital equipment. For example, the City of Blue Ridge in Fannin County had a 1948 pumper. The pumper held only 350 gallons with a 200 gallon storage tank. City officials claimed the pumper should be replaced as soon as possible.[81] Likewise, the City of Waleska, located in Cherokee County, recently purchased a used fire truck to be manned by volunteer firemen.[82] The fire department was unable to adequately furnish fire protection to an 8,000 acre recreational community being constructed 10 miles away.

Schools

The South Hall County School District bordering Lake Lanier, contains four schools. Three are elementary schools and one is a high school. Two of the schools experienced significant increases in student population. The Flowery Branch Elementary School experienced a 31 percent enrollment increase while the Old South Hall High School gained a 29 percent student increase over the five year period (see Table 9). Although no reliable figure on the number of second homes used as a primary residence is available, the increases in annual school attendance may be partly attributed to occupancy of second homes as primary residences.

Table 9. South Hall County School District Population

School	1968	1969	1970	1971	1972
Flowery Branch	534	738	620	708	709
Sardis*	434	463	472	496	440
Oakwood	752	827	861	857	886
Old South Hall**	1,112	1,215	1,288	1,333	1,435

*Moved 7th and 8th grades out at the end of 1971 school year.

**High school

Note: Source: Hall County Georgia Board of Education, 1973.

Solid Waste

The removal of solid waste from recreational communities is costly. In most cases, the use of recreational communities is seasonal. Consequently, the demand for solid waste services peaks very quickly and lasts

for short periods of time. Therefore, the benefit-cost factor for purchases of additional capital equipment is quite low.

Hall County, Georgia, operates a solid waste disposal system. No charge for collection is levied. Instead, costs are paid from general tax revenues. Although a charge was considered for use of the county landfill, public officials felt the cost would discourage the use of the landfill and encourage the dumping of trash on county roadsides. A dumpster system of collection is used throughout the county. In the Lake Lanier area additional dumpsters were placed to collect the solid waste produced by periodic increases in population.

According to county officials, second home households produce more solid waste than permanent residents. In many cases, second home households bring many items with them for the weekend. Consequently, at the close of the visit, numerous disposable items are thrown away. In addition, second home construction increases solid waste. Many builders dump excess construction materials in the roadside dumpsters.

According to the Georgia Mountains Area Planning and Development Commission, persons residing in rural areas produce five pounds per person of solid waste per day. The figure is nine pounds per day per person in urban areas. However, the influx of second homes produces above average rural solid waste loads. Consequently, calculations for projected requirements of land and equipment are distorted.

Cost requirements for landfill operations are dependent on the price of land and capital equipment. The Georgia Mountains APDC uses the standard of $600 per acre as average land cost. Land requirements are

computed at one acre per 10,000 population per year. The price of a bulldozer or front loader usually averages $50,000. This equipment is expected to last five years. About $50,000 is required to maintain the vehicle. Average maintenance cost per year is $10,000.

Several counties in the Georgia Mountains APDC region were examined to determine the impact of recreational developments on solid waste services. All examined counties experienced an increase in the demand for solid waste services. Some recreational communities contracted with private collectors, who used public landfill sites for dumping.

Included in the survey were the following counties: Hart, Franklin, Stephens, and Forsyth. Three of the counties, Hart, Franklin, and Stephens, adjoin Hartwell Reservoir. Several recreational communities were in the process of development. Although Hart County has the potential for increased recreational development, the present solid waste disposal site will not serve future population needs. Presently, there is only one small three-acre landfill site. By 1980 about 34 acres will be needed.[83] Any large scale recreational development will increase anticipated needs. Estimated maximum cost for additional land is $27,520.

In Franklin County, site of a newly constructed 1,620 lot recreational community, only one state-approved sanitary landfill is in operation.[84] Stephens County has one landfill operated by the City of Toccoa.[85] The existing facility is not adequate for the 20,000 primary residents. A 2,251 lot recreational community is located immediately across Hartwell Reservoir in Oconee, South Carolina. The close proximity of the Stephens County landfill may encourage private solid waste contractors to use the county's facilities.

Forsyth County, located on Lake Lanier, contains numerous recreational communities. However, there is only one 20 acre state-approved sanitary landfill in the county. It is near complete utilization.[86]

Regulating Recreational Community Impact on Public Services

Governmental regulations at the state, regional, and local level can reduce the public service impact of recreational communities on local government. Many states are in the process or have already adopted plans to limit development in specified areas. In some cases, regional planning commissions have assumed the review process for many rural counties lacking the necessary departments and personnel. Local governments often use land-use controls to require public service improvements.

State Regulations

In recent years some states have passed legislation regulating development. In most cases, the laws include the development of recreational communities.

In 1970 Vermont enacted a land-use development law and a water-pollution control act.[87] Both laws give the state authority to limit any development having detrimental effects on public services. For example, the state denied the developer of a recreational community in Mt. Snow, Vermont, the authority to expand his facilities because the needed public highway improvements to the area were not completed.[88] Vermont's water-pollution control act allows state officials to stop development not meeting water quality standards. A ski area in southern Vermont was prohibited from building two new lifts in the spring of 1971. State officials discovered that the development's present sewage treatment plant was over-

flowing. A stream adjoining the ski area contained toilet paper, dirt, and grease.[89]

The state of California enacted a regulatory program to control land use and development along California's 1,100 mile coastline. Until completion of a coastline plan, development within 1,000 yards of the waterline will be subject to state approval.[90]

Some states with little or no land-use regulations at the local or regional level do not have adequate state development legislation. Consequently, major recreational communities were located within some states with no review process to determine possible future public service impacts. For example, Big Sky, a recreational community located in Gallatin County, Montana, was subdivided and developed without any local, county, or state subdivision or zoning restrictions. Although the developers of Big Sky adequately planned the community, state officials feared that without sufficient state regulations, problems resulting from additional proposed recreational developments would occur.[91]

State control over land-use development can effectively regulate the impact of recreational communities on public services. However, in order to avoid misunderstandings concerning development requirements and to avoid unnecessary delays, close coordination between the state and the developer is necessary. In some cases, there has been little coordination. For example, one midwestern developer, after allotting considerable monies for dam construction, was denied a state permit.[92] However, when the application was submitted, the state gave no initial indication the project would be opposed.

Regional Regulations

Review of proposed recreational community developments by regional public agencies can avoid additional public service costs. For example, many county governments within the Georgia Mountains Area Planning and Development Commission do not have the appropriate departments, personnel, or boards to properly review development proposals. Consequently, the Georgia Mountains APDC reviews the plats in accordance with the Land Development Standards adopted by the 13 county member regional commission.

In Vermont, eight district commissions process developer's applications for permits. Commissions study the proposed development's impact on the area's water supply, soil, scenery, population, and highways. Hearings are also conducted. Conservation groups, developers, and state and local officials participate.

Under Florida's Environmental Land and Water Management Act, regional planning agencies must review the public service impact of proposed developments on the affected county. The local government must hold a public hearing on the proposed development. Within 30 days after the regional agency receives the notice of public hearing, a final report is submitted to the local governmental jurisdiction. The regional agency may recommend the proposed development not be approved.

Local Regulations

Local governmental regulations can insure adequate services for the development with a minimum of financial burden on the county or municipality.

Special Districts. One method of reducing a recreational community's impact upon public services is through the use of special districts.

Special districts are formed to provide public services to recreational communities. The property owners pay an additional sum beyond annual property taxes to financially assist the local government in extending public services.

Subdivision Regulations. Subdivision regulations allow the county or municipality to control the division of large tracts of land into smaller building lots. Regulations require the developer of a proposed subdivision to submit a plat for the local regulatory agency's or planning borad's approval. The plat is checked for conformance with local development policies. This includes checking for the installation and adequacy of services for the development. In most cases, services required to be installed and to meet local standards include road, water supply, and sewage systems. If county or municipal standards are required, assumption of maintenance responsibilities by local governments can be accomplished without substantial financial investments.

Conclusions

Recreational communities are a proper land use if the necessary planning for the development is initiated prior to construction. Some of the advantages of recreational communities include: (1) they provide recreational facilities for residents of metropolitan areas, (2) they provide a proper land-use alternative for agricultural or non-agricultural rural land, (3) they can increase, through the use of proper public regulations, the tax base of rural governments without creating additional pressure on existing community services. However, where no adequate regulations exist, local governments can experience a severe strain on public

services.

The development of a recreational community should include a site development process. Site selection, site acquisition, and a land-use plan should be included. Federal and state legal requirements must be completed by the developer. Failure to properly register and to provide accurate information can be grounds for federal and state prosecution. Recreational communities require strong financial backing. Undercapitalized projects are quickly bankrupt if sufficient reserve funds are not available. The management organization should consist of administrative, advertising, marketing, financial, and production personnel under the supervision of a general manager.

APPENDIX A

AN ANALYSIS OF SELECTED RECREATIONAL PROPERTY OWNERS

To insure better penetration of the recreational community market in a metropolitan area, the land developer should closely examine the characteristics of recreational property owners and the factors influencing their purchase. Some of the areas examined in this survey include: household type and size, occupation, age and education of head of household, family income, recreation, and investment.

For the purposes of this survey, owners of recreational property in Turtle Cove, Georgia, who were residents of the Atlanta Metropolitan Area were mailed questionnaires. Of the 100 questionnaires mailed to property owners, 50 were returned. All of the returned surveys were usable.

Both closed and open-ended questions were used. The open-ended questions concerned property owners' suggestions for developers, buyers, and government agencies. For example, property owners were asked to comment on how developers could improve recreational community projects. Suggestions on how buyers should purchase property and on how governmental agencies could better control recreational community development were also included.

Characteristics of Recreational Property Owners

The survey of recreational property owners residing in the Atlanta

Metropolitan Area concentrated on four different characteristics: household type and size, age of head of household, occupation and education, and family income.

Household Type and Size

The majority (81 percent) of surveyed property owners indicated they were married couples. Most married property owners had children. In addition, the majority of children were at least school age. Consequently, households with school age children appeared more likely to purchase recreational property.

Age of Head of Household

Forty-seven percent of the property owners were less than 35 years of age. This group comprised the largest age category. Twenty-five percent were from 45 to 54 years of age. No property owners were over 65 years of age.

Relatively young property owners accounted for the majority of surveyed households. Recent high rates of inflation and the uncertainties of the stock market may have encouraged young buyers to invest in real estate. For the most part, land values have kept pace with inflation rates. In addition, substantial increases in recreation time have been experienced by the majority of the work force.

Occupation and Education

Surveyed property owners were questioned concerning present occupation and education level. Results indicated 50 percent were employed in professional and technical occupations. About 21 percent were classified as managers, proprietors, or officials. Only six percent of the property owners were retired.

Most (84 percent) of the recreational property owners had some college training. Sixty percent were college graduates. A significant percentage (27 percent) had graduate degrees.

Family Income

About 84 percent of the surveyed owners earned over $10,000 per year. The average income figure did not take into account those who refused to answer this question.

Factors Influencing the Purchase of Recreational Property

Four types of factors influencing the purchase of recreational property were analyzed: esthetic, personal, recreational, and investment. A number of factors were included under each major type. Surveyed property owners were asked to check every factor that in some way motivated their purchases.

Esthetic Values

Esthetic values included in the survey were: view, water bodies, wooded areas, and wildlife or fresh air. Almost 40 percent of the respondents indicated the presence of a lake motivated their purchases. About 31 percent checked wooded areas as influencing their decisions to purchase. Responses to this section indicated the presence of water bodies and wooded areas in recreational communities had a significant impact on the decision to buy.

Recreational Activities

No one recreational activity proved to be an overwhelming motivation for purchase. Club facilities, swimming pool, and promised recreation activities were all checked with about the same degree of frequency. Riding

stables were the least (six percent) motivating influence of the listed recreational activities. In addition, water skiing did not receive a high response. This is somewhat surprising as the surveyed development is located on a 4,700 acre lake. Although no single recreational activity could be pinpointed as the major factor influencing a purchase, the heavy response and the even balance of the responses show recreation as a strong contributor to purchase decisions. Consequently, developers should provide as many varied recreation activities within their development as possible.

Personal Values

"Weekends away from the city" was the major personal value influencing the decision to purchase. Almost 32 percent checked this category. The second choice was "peace, quiet, seclusion." About 20 percent indicated this factor influenced the decision to buy recreational property. "Wanted to build a second home" showed a low response (13 percent) as a personal value motivating purchase. Low response to this answer may be because of the development's relatively recent opening.

Investment Value

About 69 percent were motivated to purchase recreational property because of investment opportunity. Only about 21 percent were influenced by the price of the property.

Recent increases in the national rate of inflation have helped to enlarge the popularity of investment as a motive for purchase. In recent years, land was considered as one area where values increased at a substantially higher rate than the rate of inflation. Consequently, many land developers placed heavy marketing emphasis on the investment aspect of purchasing property in a recreational community.

APPENDIX B

SURVEY OF IN-STATE LAND SALES ACTS

Appendix B contains the results of a survey of in-state land sales acts. All fifty states including the District of Columbia are listed. Information gathered from each statute included:

1. The minimum number of lots affected by the Act.
2. Is a Property Report required?
3. Will the State Act accept Federal Registration in lieu of separate State Registration?
4. Must a Performance Bond be posted?
5. How much is the Registration Fee, if any?
6. Will a Financial Statement be required?
7. Is a Certificate of Registration issued by the registering department?
8. Does the registering department have the power to issue a Cease and Desist Order?
9. What state agency acts as the Registering Department?

Table 10. In-State Land Sales Acts

State	Min. No. Lots Affected	Property Report	Accept Federal Registration	Performance Bond	Registration Fee	Financial Statement	Certificate of Registration	Cease and Desist	Registering Department
Alabama	No registration requirement for in-state developments.								
Alaska	No registration requirement for in-state developments.								
Arizona	5	Yes	No	No	$75	No	Yes	Yes	Dept. of Real Estate
Arkansas	No registration requirement for in-state developments.								
California	5	Yes	No	No	$50 + $3/lot	Quarterly	*	*	Dept. of Real Estate
Colorado	20	Yes	No	No	$20	No	Yes	Yes	Real Estate Commission
Connecticut	No registration requirement for in-state developments.								
Delaware	No registration requirement for in-state developments.								
District of Columbia	No registration requirement for in-state developments.								
Florida	50	Yes	No	No	$250	Yes	Yes	Yes	Dept. of Business Regulation
Georgia	150	Yes	Yes	Yes	$100	Yes	Yes	Yes	Secretary of State
Hawaii	1	Yes	No	No	$25-75	No	Yes	Yes	Dir. of Regulatory Agencies
Idaho	No registration requirement for in-state developments.								
Illinois	No registration requirement for in-state developments.								
Indiana	No registration requirement for in-state developments.								

Table 10. Continued

State	Min. No. Lots Affected	Property Report	Accept Federal Registration	Performance Bond	Registration Fee	Financial Statement	Certificate of Registration	Cease and Desist	Registering Department
Iowa	Requirements set by city council or county board of supervisors.								
Kansas	No registration requirement for in-state developments.								
Kentucky	No registration requirement for in-state developments.								
Louisiana	No registration requirement for in-state developments.								
Maine	5	Yes	No	No	$25	Yes	Yes	Yes	Dept. of Environmental Prot.
Maryland	No registration requirement for in-state developments.								
Massachusetts	No registration requirement for in-state developments.								
Michigan	No registration requirement for in-state developments.								
Minnesota	51	Yes	No	No	$50	Yes	Yes	Yes	Dept. of Commerce
Mississippi	No registration requirement for in-state developments.								
Missouri	No registration requirement for in-state developments.								
Montana	No registration requirement for in-state developments.								
Nebraska	No registration requirement for in-state developments.								
Nevada	50	Yes	No	*	$100	*	Yes	Yes	Dept. of Commerce
New Hampshire	50	Yes	Yes	No	$100	Yes	Yes	Yes	Div. of Consumer Protection
New Jersey	No registration requirement for in-state developments.								

Table 10. Continued

State	Min. No. Lots Affected	Property Report	Accept Federal Registration	Performance Bond	Registration Fee	Financial Statement	Certificate of Registration	Cease and Desist	Registering Department
New Mexico	25	Yes	No	No	*	No	Yes	Yes	Office of Attorney General
New York	*	Yes	No	Yes	None	Yes	Yes	Yes	Secretary of State
North Carolina	No registration requirement for in-state developments.								
North Dakota	No registration requirement for in-state developments.								
Ohio	No registration requirement for in-state developments.								
Oklahoma	No registration requirement for in-state developments.								
Oregon	4	Yes	No	No	$40-490	Yes	Yes	Yes	Dept. of Commerce
Pennsylvania	No registration requirement for in-state developments.								
Rhode Island	No registration requirement for in-state developments.								
South Carolina	No registration requirement for in-state developments.								
South Dakota	No registration requirement for in-state developments.								
Tennessee	No registration requirement for in-state developments.								
Texas	No registration requirement for in-state developments.								
Utah	3	Yes	No	No	$150	No	Yes	Yes	Dept. of Business Regulation
Vermont	No registration requirement for in-state developments.								
Virginia	No registration requirement for in-state developments.								

Table 10. Concluded

State	Min. No. Lots Affected	Property Report	Accept Federal Registration	Performance Bond	Registration Fee	Financial Statement	Certificate of Registration	Cease and Desist	Registering Department
Washington	No registration requirement for in-state developments.								
West Virginia	No registration requirement for in-state developments.								
Wisconsin	No registration requirement for in-state developments.								
Wyoming	No registration requirement for in-state developments.								

*Could not be determined from available information.

Note: Source: Digest of STATE LAND SALES REGULATIONS American Land Development Association, 1972 and author's correspondence with appropriate state agencies.

APPENDIX C

SURVEY OF OUT-OF-STATE LAND SALES ACTS

Appendix C contains the results of a survey of out-of-state land sales acts. All fifty states including the District of Columbia are listed. Information gathered from each statute included:

1. The minimum number of lots affected by the Act.
2. Is a Property Report required?
3. Will the State Act accept Federal Registration in lieu of separate State Registration?
4. Must a Performance Bond be posted?
5. How much is the Registration Fee, if any?
6. Will a Financial Statement be required?
7. Is a Certificate of Registration issued by the registering department?
8. Does the registering department have the power to issue a Cease and Desist Order?
9. What state agency acts as the Registering Department?

Table 11. Out-of-State Land Sales Acts

State	Min. No. Lots Affected	Property Report	Accept Federal Registration	Performance Bond	Registration Fee	Financial Statement	Certificate of Registration	Cease and Desist	Registering Department
Alabama	No registration requirement for out-of-state developments.								
Alaska	10	Yes	No	No	$50	Annual	Yes	Yes	Dept. of Commerce
Arizona	5	Yes	No	No	$75	No	Yes	Yes	Dept. of Real Estate
Arkansas	*	Yes	No	Yes	None	Yes	*	*	Real Estate Commission
California	5	Yes	No	Yes	$50-5,000	No	Yes	Yes	Dept. of Real Estate
Colorado	20	Yes	No	No	$20	No	Yes	Yes	Real Estate Commission
Connecticut	5	Yes	Yes	No	$100	No	*	No	Real Estate Commission
Delaware	No registration requirement for out-of-state developments.								
District of Columbia	No registration requirement for out-of-state developments.								
Florida	50	Yes	No	No	$250	Yes	Yes	Yes	Dept. of Business Regulation
Georgia	25	Yes	Yes	Yes	$100	No	Yes	No	Secretary of State
Hawaii	1	Yes	No	No	$25-75	No	Yes	Yes	Dir. of Regulatory Agencies
Idaho	5	Yes	No	Yes	$100	No	Yes	Yes	Real Estate Commission
Illinois	50	Yes	No	Yes	$250	No	Yes	Yes	Dept. of Reg. & Education
Indiana	*	*	No	Yes	None	Yes	*	*	Real Estate Commission

Table 11. Continued

State	Min. No. Lots Affected	Property Report	Accept Federal Registration	Performance Bond	Registration Fee	Financial Statement	Certificate of Registration	Cease and Desist	Registering Department
Iowa	5	Yes	Yes	No	*	Yes	Yes	Yes	Real Estate Commission
Kansas	25	Yes	No	Yes	$10-500	Yes	Yes	Yes	Kansas Securities Comm.
Kentucky	No registration requirement for out-of-state developments.								
Louisiana	No registration requirement for out-of-state developments.								
Maine	*	No	No	Yes	$25	Yes	Yes	Yes	Dept. of Banks & Banking
Maryland	No registration requirement for out-of-state developments.								
Massachusetts	*	Yes	No	No	$50	Yes	No	Yes	Div. of Registration of Real Estate Brokers & Salesmen
Michigan	10	Yes	No	Yes	$500	Yes	Yes	Yes	Dept. of Licensing & Regula.
Minnesota	51	Yes	No	No	$50	Yes	Yes	Yes	Dept. of Commerce
Mississippi	No registration requirement for out-of-state developments.								
Missouri	*	Yes	No	Yes	$50-450	Yes	Yes	Yes	Secretary of State
Montana	5	Yes	No	Yes	$500	No	*	*	Real Estate Commission
Nebraska	*	Yes	No	Yes	$100	Yes	Yes	Yes	Real Estate Commission
Nevada	50	Yes	No	*	$100	*	Yes	Yes	Dept. of Commerce
New Hampshire	5-	Yes	Yes	No	$100	Yes	Yes	Yes	Div. of Consumer Protection

Table 11. Continued

State	Min. No. Lots Affected	Property Report	Accept Federal Registration	Performance Bond	Registration Fee	Financial Statement	Certificate of Registration	Cease and Desist	Registering Department
New Jersey	*	Yes	No	Yes	$50	Yes	*	*	Real Estate Commission
New Mexico	25	Yes	Yes	No	*	No	Yes	Yes	Office of Attorney General
New York	*	Yes	No	Yes	$500	Yes	Yes	Yes	Secretary of State
North Carolina	No registration requirement for out-of-state developments.								
North Dakota	5	Yes	No	No	$100	Yes	Yes	Yes	Real Estate Commission
Ohio	*	Yes	No	No	$150	Yes	*	*	Dept. of Commerce
Oklahoma	No registration requirement for out-of-state developments.								
Oregon	4	Yes	No	No	$40-490	Yes	Yes	Yes	Dept. of Commerce
Pennsylvania	No registration requirement for out-of-state developments.								
Rhode Island	5	Yes	Yes	No	$100	No	Yes	No	Dept. of Business Regulation
South Carolina	25	Yes	Yes	No	$100	No	No	No	Real Estate Board
South Dakota	25	No	No	No	$50	No	Yes	No	Real Estate Commission
Tennessee	*	*	*	*	$25	*	*	*	Real Estate Commission
Texas	No registration requirement for out-of-state developments.								
Utah	3	Yes	No	No	$150	No	Yes	Yes	Dept. of Business Regulation

Table 11. Concluded

State	Min. No. Lots Affected	Property Report	Accept Federal Registration	Performance Bond	Registration Fee	Financial Statement	Certificate of Registration	Cease and Desist	Registering Department
Vermont	*	Yes	No	Yes	$50	Yes	*	*	Dept. of Banking & Insurance
Virginia	No registration requirement for out-of-state developments.								
Washington	No registration requirement for out-of-state developments.								
West Virginia	*	Yes	No	No	$50-300	Yes	Yes	Yes	Commissioner of Securities
Wisconsin	No registration requirement for out-of-state developments.								
Wyoming	No registration requirement for out-of-state developments.								

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Note: Source: Digest of STATE LAND SALES REGULATIONS American Land Development Association, 1972 and author's correspondence with appropriate state agencies.

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